92-2230

A	ALLEGHENY BANKSHARES CORP	10Q	03-31-92
B	ARTAGRAPH REPRODUCTION TECHNOLOGY INC	10Q	05-31-92
C	CABLEVISION INVESTMENT OF DETROIT INC	10Q	03-31-92
D	CITIZENS & NORTHERN CORP	10Q	03-31-92
E	EYE TECHNOLOGY INC	10Q	03-31-92
F	FIRST FEDERAL FINANCIAL CORP OF KENTUCKY	10Q	03-31-92
G	FREIGHT CONNECTION INC	10Q	03-31-92
H	INTEGRATED WASTE SERVICES INC	10Q	03-31-92
I	LOGAN COUNTY BANCSHARES INC	10Q	03-31-92
J	NOEL GROUP INC	10Q	03-31-92
K	NUTRAMAX PRODUCTS INC	10Q	03-31-92
L	OLD POINT FINANCIAL CORP	10Q	03-31-92
M	PAC RIM HOLDING CORP	10Q	03-31-92
N	PARKVALE FINANCIAL CORP	10Q	03-31-92
O	PRESIDENTIAL LIFE CORP	10Q	03-31-92
P	RIO HOTEL & CASINO INC	10Q	03-31-92
Q	SMITHTOWN BANCORP INC	10Q	03-31-92
R	VIDEOCART INC	10Q	03-28-92
S	ZENITH LABORATORIES INC	10Q	03-31-92

SEC-File™ is published by Q-Data Corporation, 3230 Bennett Street North, St. Petersburg, FL 33713. Copyright ©1992. All rights reserved. Duplication of this microfiche in its entirety is prohibited. Q-Data Corporation does not guarantee the accuracy, currency, or completeness of any material reproduced herein. All reports are offered for historical purposes only, and not in connection with an offer to sell or a solicitation of an offer to buy any securities of any company. Reports reproduced herein may or may not be complete or identical to reports filed with the Securities & Exchange Commission (S.E.C.) or other regulatory agencies. NO REPORT SHOULD BE RELIED ON WITHOUT VERIFYING ITS COMPLETENESS AND ACCURACY WITH THE REPORTING COMPANY OR THE S.E.C. Q-DATA MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE FOR ANY Q-FILE OR SEC-FILE MICROFICHE OR DOCUMENT INCLUDED THEREIN.

92 13 9499

0 19545

Q-35228

18

92-2230

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1992

Commission File Number 0-15452

Allegheny Bankshares Corporation
(Exact name of registrant as specified in its charter)

West Virginia
(State or other jurisdiction of incorporation or organization)

55-0636650
(I.R.S. Employer Identification No.)

109 South Jefferson Street
Lewisburg, West Virginia
(Address of principal executive offices)

24901
(Zip Code)

(304) 645-2500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant; (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No ___.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

756,200 common shares were outstanding as of May 5, 1992.

PROCESSED BY

MAY 15 1992
12 - 18 I ✓
Microfilmed by
Q-Data Corp. - St. Petersburg, FL

RECEIVED
MAY 14
167

L30

BEST COPY
AVAILABLE

ALLEGHENY BANKSHARES CORPORATION AND SUBSIDIARIES

INDEX

Page

I. FINANCIAL INFORMATION

Financial Statements

Consolidated balance sheets March 31, 1992 (Unaudited) and December 31, 1991 1

Consolidated statements of income for the three months ended March 31, 1992 and 1991 (Unaudited) 2

Consolidated statements of shareholders' equity for the three months ended March 31, 1992 and 1991 (Unaudited) 3

Consolidated statements of cash flows for the three months ended March 31, 1992 and 1991 (Unaudited) 4-5

Notes to consolidated financial statements (Unaudited) 6

Management's Discussion and Analysis of Financial Condition and Results of Operations 7-15

Signatures 16

ALLEGHENY BANKSHARES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS	March 31, 1992 (Unaudited)	December 31, 1991 *
Cash and due from banks	$ 5,195,205	$ 5,751,126
Interest-bearing deposits and deposit notes with other banks	1,756,645	2,008,429
Federal funds sold	8,270,000	4,075,000
Investment securities (estimated market value 1992 $76,195,550; 1991 $75,863,461)	73,530,094	73,826,228
Loans, net	106,157,033	103,978,330
Less allowance for loan losses	1,472,881	1,322,852
	104,684,152	102,655,478
Bank premises and equipment, net	2,557,772	2,545,448
Accrued interest receivable	2,143,720	2,284,566
Other assets	2,304,880	2,294,817
Total assets	$ 200,442,468	$ 195,441,092
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Non-interest bearing	$ 23,693,909	$ 23,507,739
Interest bearing	156,371,375	151,242,134
Total deposits	180,065,284	174,749,873
Long-term borrowings	1,400,000	2,150,000
Other liabilities	1,613,531	1,361,825
Total liabilities	183,078,815	178,261,698
COMMITMENTS AND CONTINGENCIES		
Shareholders' equity		
Common stock, $2.50 par value, authorized 1,000,000 shares, issued 761,696 shares	1,904,240	1,904,240
Surplus	1,295,760	1,295,760
Retained earnings	14,259,557	14,017,922
Less cost of shares acquired for the treasury 1992, 5,496 shares and 1991 2,888 shares	(95,904)	(38,528)
Total shareholders' equity	17,363,653	17,179,394
Total liabilities and shareholders' equity	$ 200,442,468	$ 195,441,092

* - The December 31, 1991, Consolidated Balance Sheet has been extracted from audited financial data.

ALLEGHENY BANKSHARES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 1992 and 1991
(Unaudited)

	1992	1991
Interest income:		
Interest and fees on loans	$ 2,643,398	$ 2,817,194
Interest and dividends on investment securities:		
Taxable	1,280,949	1,233,495
Tax-exempt	106,978	176,379
Interest on deposits and deposit notes with other banks	39,454	62,027
Interest on Federal funds sold	66,300	102,626
Total interest income	4,137,079	4,391,721
Interest expense		
Interest expense on deposits	1,927,601	2,322,383
Interest on long-term debt	27,492	52,774
Total interest expense	1,955,093	2,375,157
Net interest income	2,181,986	2,016,564
Provision for loan losses	138,000	188,000
Net interest income after provision for loan losses	2,043,986	1,828,564
Other income		
Service fees	128,996	133,642
Securities gains	10,438	312
Insurance commissions	23,783	27,761
Other	40,666	48,252
	203,883	209,967
Other expenses		
Salaries and employee benefits	833,563	809,023
Net occupancy expense	68,382	70,455
Equipment rentals, depreciation and maintenance	81,672	87,306
Data processing	105,243	95,957
Advertising	48,405	55,406
FDIC insurance	84,293	82,462
Other	388,709	363,943
	1,610,297	1,564,552
Income before income tax expense	637,572	473,979
Income tax expense	266,939	154,138
Net income	$ 370,633	$ 319,841
Earnings per common share (Note 3)	$ .49	$ .42
Dividends per common share	$ .17	$ .165
Average common shares outstanding	751,004	758,808

See Notes to Consolidated Financial Statements

ALLEGHENY BANKSHARES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the Three Months Ended March 31, 1992 and 1991
(Unaudited)

	1992	1991
Balance, December 31	$ 17,179,394	$ 16,169,553
Net income	370,633	319,841
Cash dividends declared	(128,998)	(125,204)
Cost of 2,608 shares acquired for the treasury	(57,376)	-
Balance, March 31	$ 17,363,653	$ 16,364,190

ALLEGHENY BANKSHARES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 1992 and 1991
(Unaudited)

	March 31, 1992	March 31, 1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 370,633	$ 319,841
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	69,922	74,467
Provision for loan losses	138,000	188,000
Provision for deferred income taxes (benefits)	(5,530)	5,593
Deferred loan origination costs	(4,846)	-
Amortization of investment security premiums (accretion) of discounts, net	20,520	11,491
Amortization of organization costs	1,693	3,362
Amortization of purchase accounting adjustments	48,751	48,736
Amortization of loan commitment fees	563	563
Investment securities (gains) losses	(10,438)	312
Loss on transactions in other real estate and other assets	7,000	-
(Increase) decrease in accrued interest receivable	140,846	(263,176)
(Increase) decrease in other assets	(20,629)	(201,367)
Increase (decrease) in other liabilities	257,236	(125,593)
Net cash provided by operating activities	1,013,721	62,229
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from interest bearing deposits with other banks	251,784	1,786
Proceeds from calls and maturities of investment securities	5,571,509	8,125,238
Principal payments received on investment securities	472,676	190,698
Purchase of investment securities	(5,779,748)	(9,598,467)
Federal funds sold, net	(4,195,000)	1,130,000
Principal collected on (loans made to) customers, net	(2,244,164)	(1,435,082)
Purchases of bank premises and equipment	(82,736)	(360,179)
Proceeds from sale of other real estate and other assets	57,000	-
Net cash provided by (used in) investing activities	(5,948,679)	(1,946,006)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in demand deposit, NOW and savings accounts	6,185,027	(492,683)
(Payments on) proceeds from long-term borrowings	(750,000)	(100,000)
Proceeds from sales of (payments for matured) time deposits, net	(869,616)	505,940
Dividends paid	(128,998)	(125,204)
Acquisition of treasury stock	(57,376)	-

Continued

ALLEGHENY BANKSHARES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued
For the Three Months Ended March 31, 1991 and 1990
(Unaudited)

	March 31, 1992	March 31, 1991
Net cash provided by (used in) financing activities	4,379,037	(211,947)
Increase (decrease) in cash and due from banks	(555,921)	(2,095,724)
Cash and due from banks:		
Beginning	5,751,126	6,654,164
Ending	$ 5,195,205	$ 4,558,440
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for:		
Interest paid to depositors and on other borrowings	$ 1,974,478	$ 2,037,921
Income taxes	$ 202,500	$ 38,155
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Other real estate and other assets acquired in settlement of loans	$ 85,500	$ 89,000

ALLEGHENY BANKSHARES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The accounting and reporting policies of Allegheny and its subsidiaries follows generally accepted accounting practices. The financial information included herein is unaudited; however, such information reflects all adjustments, consisting solely of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations. The results of interim periods are not necessarily indicative of results to be expected for the year.

Note 2. Income Taxes

In February, 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109 (SFAS 109) which requires adoption of Financial Accounting Standards No. 109, relating to accounting for income taxes for years beginning after December 15, 1992, however, earlier adoption is permitted. The Statement provides that the effect of its adoption may be recorded entirely in the year of adoption or retroactively by restating one or more prior years. The Company has not adopted Statement No. 109, however, based on its current assessment, Company management believes the adoption of Statement No. 109 will not have a material impact on the Company's consolidated financial position and results of its operations.

Note 3. Earnings Per Share

Earnings per common share are computed based on the weighted average shares outstanding. The weighted average shares outstanding was 751,004 for 1992 and 758,808 for 1991.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis focused on significant changes in the financial condition and results of operations of Allegheny Bankshares Corporation ("Allegheny"), and its subsidiaries, Greenbrier Valley National Bank and First National Bank in Marlinton. This discussion and analysis should be read in conjunction with the financial statements and notes accompanying this analysis. The dollar amounts within this discussion are stated in thousands of dollars with the exception of earnings per share.

RESULTS OF OPERATIONS

Allegheny's results of operations for the first three months of 1992 reflects net income of $371, an increase of 15.9% over net income for the same reporting period of 1991. Earnings per share were $.49 for the first quarter of 1992, compared to $.42 per share for the three months ended March 31, 1991. Return on average assets (ROA) rose to .75% at March 31, 1992, from .66% recorded at March 31, 1991. Return on average equity (ROE), another measure of earnings performance totaled 8.50% at March 31, 1992, an increase from the March 31, 1991 total of 7.86%. Increases in these returns reflect the certainty that Allegheny's credit environment has improved for the first three months of 1992, compared to the weaker credit environment experienced throughout 1991, which resulted in an increase in nonperforming assets, higher provisions for possible loan losses and higher costs of other real estate owned along with the impact of significant increases in FDIC insurance premiums.

The following analysis expresses each major component of the income statement as a percentage of average earning assets on an annualized basis for the periods ended March 31, 1992 and 1991.

	For the Three Months Ended March 31,	
	1992	1991
Fully taxable net interest income	4.70%	4.54%
Less:		
Tax equivalent adjustment	(.08)	(.12)
Provision for loan losses	(.29)	(.41)
Net overhead expenses	(2.98)	(2.97)
Income taxes	(.56)	(.34)
Return on average earnings assets	.79	.70
X		
Average earning assets to average total assets	x 95.26	x 94.58
Return on average assets	.75%	.66%

NET INTEREST INCOME

The major component of Allegheny's net earnings is net interest income, which is the excess of interest income earned on earning assets over the interest expense paid for sources of funds. Net interest income is affected by changes in volume, resulting from growth and alterations of the balance sheet composition, as well as fluctuations in interest rates and maturities of sources and uses of funds.

For purpose of this discussion, net interest income is presented on a taxable-equivalent basis to adjust for the tax favored status of earnings from certain loans and investments, principally obligations of state and local governments. Such earnings are increased by an amount equivalent to the Federal income taxes which would have been paid if the income were taxable at the statutory rate of thirty-four percent. For the periods ended March 31, 1992 and 1991, the tax-equivalent adjustment was $38 and $56, respectively.

Tax equivalent net interest income for the period ended March 31, 1992 increased $146 or 7.0% compared to levels in the same period of 1991. This increase resulted from higher average level of earning assets at March 31, 1992, compared to March 31, 1991. The decline in the interest yield (tax adjusted) in earning assets can be partially attributed to the decreases in the yield earned on Federal funds sold declining to 3.5% at March 31, 1992 from 6.1% yields received for the same period of 1991. Decrease in these yields reflects the lower current interest rate environment guided by the Federal Reserve Bank's reductions in its discount rate offered to borrowing member and non-member banks. These rate reductions contributed to the current lower interest rate environment and the reported weak return on overnight investments and overall returns on earning assets.

Volumes of average interest bearing liabilities increased 2.9% at March 31, 1992, to $154,956 from $150,639 for the same period of 1991. The 130 basis point decrease in the weighted average cost of interest bering liabilities again reflects the overall reductions in the interest rate environment for the reported period. The reductions of cost are more prominent in the time deposit category. This category reflected a decrease of 160 basis points. Currently maturing time deposits are subjected to downward repricing as they are reinvested during this period of declining in interest rates.

The declining market rates has had a favorable impact on Allegheny's net interest yield on earning assets. At March 31, 1992, the net interest yield on earning assets was 4.7% compared to 4.5% at March 31, 1991. This increase can be attributed to the weighted average cost of funds declining at a more rapid pace than the weighted average yield on earning assets due to the liability sensitive position of the subsidiary Bank's portfolios. The Company will remain in a liability sensitive position for the next six months. If interest rates continue to decline or remain stable, net interest income should continue to improve over the near future.

NON-INTEREST INCOME

At March 31, 1992, non-interest income totalled $204, representing a decrease of $6 or 2.9% from the 1991 total of $210. Non-interest income when expressed as a percentage of average assets, totalled .10% and .11% at March 31, 1992 and 1991, respectively. Service fees on deposit accounts were .07% of average deposits at March 31, 1992, compared to .08% of deposits for the same period of 1991. This decrease reflects a gradual shifting of Allegheny deposits from fee-generated checking accounts to saving and time deposit accounts and a heightened competition for checking accounts.

The table below illustrates the changes in all major categories of non-interest income at March 31, 1992, compared to March 31, 1991.

	Three Months Ended March 31,		%
	1992	1991	Change
Non-interest income			
Service fees	$ 129	$ 134	(3.7)
Trust income	7	15	(53.3)
Collection fees	5	5	-
Other rental income	2	2	-
Insurance commissions	24	28	(14.3)
Securities gains	10	-	-
Other	27	26	3.8
Total	$ 204	$ 210	(2.9)

Securities gains recognized in the first three months of 1992 resulted from specific securities being called by their issuers prior to the stated maturity date and not from sales activity. Management does not anticipate any further or significant activity in this area.

NON-INTEREST EXPENSE

Non-interest expense at March 31, 1992, totalled $1,610, a 2.8% increase over levels incurred for the three months ended March 31, 1991. When expressed as a percentage of average assets, non-interest expense remained constant at .8% for the comparable periods of March 31, 1992 and March 31, 1991. Primary contributors to the increase in non-interest expense are salaries and data processing.

Salaries and employee benefits are Allegheny's largest operating costs and comprise approximately 51.8% and 51.7% of the total non-interest expense at March 31, 1992 and 1991, respectively. Salaries increased $29 or 5.3% at March 31, 1992 compared to the $551 total at March 31, 1991. This increase resulted from normal merit increases and the cost of one subsidiary bank's implementation of a Employee Performance Incentive Program. This program is designed to reward employees for their monthly performance. This program is also designed to replace the annual employee incentive bonus, for all employees on the new Performance Program. This Program has not significantly impacted the total non-interest expense category for the first three months of 1992, but management anticipates this expense to continue to increase for the remainder of 1992.

At March 31, 1992, data processing fees increased $9 or 9.4% over levels incurred during the three months ended March 31, 1991. This increase in data processing has been almost entirely offset by a 6.8% reduction in costs related to data processing equipment rental and depreciation.

The following table illustrates the change in significant categories of non-interest expense for the periods ended March 31, 1992 and 1991.

	Three Months Ended March 31,		%
	1992	1991	Change
Non-interest expense			
Salaries	$ 580	$ 551	5.3
Employee benefits	254	258	(1.5)
Total salaries and employee benefits	834	809	3.0
Net occupancy expense	68	70	(2.9)
Equipment rental depreciation and maintenance	82	88	(6.8)
Data processing fees	105	96	9.4
Advertising and promotion	48	55	(12.7)
Postage	33	37	(10.8)
Office and other supplies	34	31	9.7
Examination and auditing expense	43	37	16.2
Taxes, other than income taxes	22	23	(4.3)
Telephone	12	13	(7.7)
Director fees	22	20	10.0
FDIC assessment	84	82	2.4
Amortization of goodwill	30	30	-
Other	193	174	10.9
Total	$ 1,610	$ 1,565	2.8

INCOME TAXES

Allegheny's income tax expense incudes Federal and state taxes on earnings. Income tax for the period ended March 31, 1992, totalled $267, reflecting a $113 increase over the same period of 1991 due principally to higher pre-tax earnings and a reduction in tax exempt interest income. Income tax expense for financial reporting purposes does not equal the statutory rate of 34% when applied to income before income taxes, principally because income from certain loans and securities are not subject to taxes and certain expenses included in the financial statements are not deductible for tax purposes. Nondeductible expenses include pension costs and the amortization of purchase accounting adjustments related to the acquisition of Western Greenbrier. At March 31, 1992, Allegheny's tax expense equalled 41.8% of pretax income compared to 32.5% for the three months ended March 31, 1991.

Within the total of $267 income tax expense, approximately $31 is related to West Virginia Corporate income tax, while the remaining $236 is related to Federal income tax.

PROVISION FOR LOAN LOSSES

The provision for loan losses represents charges to earnings necessary to maintain an adequate allowance for potential future loan losses. Management's determination of the appropriate level of the allowance is based on an ongoing analysis of credit quality and loss potential in the loan portfolio, actual loan loss experience relative to the size and characteristics of the loan portfolio, changes in the composition and risk characteristics of the loan portfolio and the anticipated influence of national and regional economic policies and conditions. The adequacy of the allowance for loan losses is reviewed quarterly and adjustments are made when considered necessary.

Allegheny's provision for loan loss expense totalled $138 at March 31, 1992, representing a 26.6% decrease from March 31, 1991 provision charged to income of $188. The improved asset quality is the principal reason for the lower provision expense. When expressed as a percentage of average loans outstanding, the provision for loan losses was .13% and .18% for the period ended March 31, 1992 and 1992, respectively. During the first three months of 1992, the Company recorded a net recovery of $12, compared to a net loss of $93 recorded for the same period of 1991. Management feels that the major credit related problems were identified in 1991 and credit quality will continue to improve throughout 1992.

The total allowance for loan losses was $1,473 at March 31, 1992 and $1,218 at December 31, 1991. Expressed as a percentage of loans (net of unearned interest) the allowance for loan losses improved to 1.39% at March 31, 1992, from 1.27% at December 31, 1991.

The following table presents an analysis of the loan loss reserve for each of the subsidiary banks of Allegheny for the periods ended March 31, 1992 and 1991.

	March 31, 1992		
	Greenbrier Valley National Bank	First National Bank in Marlinton	Total
Balance, beginning of year	$ 872	$ 451	$ 1,323
Losses	(35)	(23)	(58)
Recoveries	33	37	70
Net (losses) recoveries	(2)	14	12
Provision for loan losses	126	12	138
Balance March 31, 1992	$ 996	$ 477	$ 1,473

	March 31, 1991		
	Greenbrier Valley National Bank	First National Bank in Marlinton	Total
Balance, beginning of year	$ 740	$ 383	$ 1,123
Losses	(114)	(21)	(135)
Recoveries	17	25	42
Net (losses) recoveries	(97)	4	(93)
Provision for loan losses	176	12	188
Balance March 31, 1991	$ 819	$ 399	$ 1,218

Loans contractually past due over 90 days which are still accruing interest were $121 at March 31, 1992 compared with $307 at December 31, 1991, representing a 60.6% decrease. Expressed as a percentage of loans (net of unearned interest) the balance on March 31, 1992 of loans contractually past due over 90 days was .11% and .29% at December 31, 1991. Allegheny continually reviews these loans over 90 days past due to ensure they are in the process of collection as dictated by GAAP and as directed by Banking Bulletin 91-19. Based upon managements' review of these loans as of March 31, 1992, it was determined that all material loans which were listed as greater than 90 days past due, were adequately secured and still in the process of collection, thereby following the consistent application of the Company's policy of not terminating the accrual of interest.

Allegheny's non-performing assets consist of foreclosed properties in the process of liquidation and loans on which interest is not being accrued. At March 31, 1992, nonperforming assets totalled $1,688 or 1.61% of total loans, net of unearned interest and the allowance for loan losses. This percentage is lower than the 1.90% experienced at year-end 1991. This improved percentage is the result of Allegheny's continuing efforts to reduce losses through strengthening its credit underwriting standards and credit review procedures.

It is Allegheny's policy to place in non-accrual status those loans which are past due over 90 days, unless the loans are adequately secured and in the process of collection. Non-accrual loans decreased $226 at March 31, 1992, compared to the total of $1,057 at December 31, 1991.

Based upon management's current assessment of the loan portfolio there are no additional significant loans within the portfolio which have been identified as potential problem loans or would cause the allowance for loan losses to be materially misstated.

BALANCE SHEET ANALYSIS

At March 31, 1992, total assets of $200,442 represented a 2.6% increase compared to December 31, 1991 total of $195,441. Total average assets volumes increased 2.7% at March 31, 1992 from December 31, 1991 levels.

Investment securities decreased $296 or .4% from the year-end 1991 total of $73,826 to $73,530 at March 31, 1992. The goal of Allegheny in managing the investment portfolio is to maximize the long-term return on funds invested while giving consideration to customer needs, risk, balance sheet management strategies and the economic outlook. As a result of the diminished tax benefit afforded the Banks from investment in tax-exempt securities, arising from changes in the Federal tax laws, the philosophy of the subsidiary banks has been to invest funds provided from maturing tax-exempt investment securities into taxable securities and to fund loans.

Federal funds sold increased 102.9% or $4,195 as of March 31, 1992 compared to the December 31, 1991 total of $4,075. This increase resulted from Allegheny's decision to remain liquid due to the uncertainty of where interest rates were going and also the uncertainty of where consumers would decide to place there monies. During 1991 and the first quarter of 1992, the declining interest rates caused customers to pace matured deposits into short term instruments or accounts where monies were readily available.

Loans, net of unearned interest and the reserve for loan losses increased 2.0% or $2,029 at March 31, 1992, compared to the December 31, 1991 total of $102,655. This resulted from higher loan demand due to the lower interest rates offered to consumers and has taken place primarily in the real estate category. The 6.2% increase in the real estate category has been offset by a 7.7% decrease in commercial loans. Commercial loans decreased due to tightening lending guidelines coupled with weak corporate demand. The Company has experienced a slight decline of loan demand for installment loans, this category decreased 1.2% at March 31, 1992.

Allegheny's loan portfolio continues to be diversified among loan types. Real estate loans comprises 61.0% of total loans net of unearned interest with 24.7% made up of installment loans and 14.3% is comprised of commercial loans. The Company will continue to solicit quality loans in all loan categories with a slightly greater emphasis on retail mortgage and consumer products to enhance portfolio diversification.

Allegheny's loan-to-deposit ratio was 58.9% and 59.5% at March 31, 1992 and December 31, 1991, respectively. The Company is expecting the normal loan growth they have experienced this quarter to continue in all geographic markets it services during the remainder of 1992.

Other assets at March 31, 1992, reflects goodwill resulting from the acquisition of Western Greenbrier in December, 1989. Goodwill, amounting to $1,192 is being amortized over a period of ten years on the straight line basis. At March 31, 1992, the net unamortized goodwill totalled $924.

Allegheny's total deposits increased to $180,065 or 3.0% on March 31, 1992, from $174,750 at year end 1991. Allegheny has experienced a continued shift of deposits from long term instruments to short-term accounts or where money is readily available, due to the downward turn of interest rates. Certificate of deposits comprise 86.8% of interest bearing deposits and decreased $869 at March 31, 1992 from levels at December 31, 1991. Interest bearing checking accounts increased $2,242 or 7.0%, saving accounts increased $3,756 or 9.7%, at March 31, 1992 compared to December 31, 1991 levels.

Shareholders' equity increased 1.07% at March 31, 1992, compared to the total $17,179 reported for December 31, 1990. The source of this growth has been the retention of internally generated undistributed net income.

LIQUIDITY AND INTEREST RATE SENSITIVITY

Allegheny's liquidity reflects the ability to ensure the availability of adequate funding for loan growth and deposit withdrawals, as well as provide for other Corporate transaction requirements. Asset liquidity is provided primarily by investment in cash and cash equivalents. The Company's liquidity position is monitored continuously to ensure that day-to-day needs for funds are met.

Liquidity, as defined by Allegheny, is cash, Federal funds sold and interest bearing deposits with other banks. Liquidity currently totals $15,222 or 28.6% above the $11,834 total at December 31, 1991. This increase in liquidity at March 31, 1992 reflects Allegheny's decision to remain liquid due to the uncertainty of interest rates.

At March 31, 1992, cash totalled $5,195, compared to $5,751 at year end 1991, representing a $556 reduction.

Further enhancing Allegheny's ability to meet depositor's and borrower's demands is the availability of investment securities maturing within one year. At March 31, 1992, Allegheny had in its portfolio investment securities scheduled to mature within a one year time frame of $23,233.

Management is not aware of any trends, commitments, events and uncertainties that will result in or are likely to result in liquidity increasing or decreasing in any material way.

Bank management continuously reviews the potential impact of any regulatory rules and regulations which materially affect the Bank's liquidity, capital resources or operations. The Company and subsidiary banks have not been negatively impacted by any other rule or regulation issued by regulatory agencies.

Interest rate task is measured through a gap analysis which is shown below. The within one year period shows a negative gap, however, the remaining two periods reflect a positive gap. Within the one year period are balances of interest bearing demand deposits and regular saving accounts totalling $76,544. Consequently, the Company is in a negative gap position for that period. Because of the low level of interest rates, the subsidiary banks have experienced a decrease in interest bearing time deposits, together with an increase in interest bearing demand deposits and regular savings, as depositors have temporarily transferred deposits to await a trend in interest rates. These funds will tend to be interest sensitive and may be moved should interest rates increase. While these deposits may be withdrawn at any time, management considers their deposit base to be stable, and the possibility of these deposits being immediately repriced remote. Allegheny tries to minimize interest rate risk through management of the gap to achieve maximum earnings while being aware of economic conditions.

The following table represents the interest sensitivity gap for the periods presented taking into consideration the periodic payments on loans and when interest earning assets or interest bearing liabilities may be repriced.

ASSET AND LIABILITY MATURING AND RATE
SENSITIVITY SUMMARY
(Dollars in thousands)

	Within One Year	After One But Within Five Years	After Five Years	Total
Earning assets:				
Loans (net of unearned interest)	$ 51,814	$ 53,245	$ 1,098	$ 106,157
Investments	23,233	46,310	3,987	73,530
Interest bearing deposits with other banks	751	1,006	-	1,757
Federal funds sold	8,270	-	-	8,270
Total interest earning assets	84,068	100,561	5,085	189,714
Interest bearing liabilities:				
Interest bearing transaction accounts	34,094	-	-	34,094
Savings	42,450	-	-	42,450
Time saving	69,685	10,142	-	79,827
Borrowed funds	480	920	-	1,400
Total interest bearing liabilities	146,709	11,062	-	157,771
Interest sensitivity gap	$(62,641)	$ 89,499	$ 5,085	$ 31,943
Cumulative interest sensitivity gap	$(62,641)	$ 26,858	$ 31,943	
Cumulative gap ratio	(.57)	1.17	1.20	

With a strong, stable deposit base and with the current level of liquid assets, Allegheny's management is confident that they will be able to maintain an adequate liquidity position.

CAPITAL RESOURCES AND DIVIDENDS

Maintaining a strong capital position is an integral part of Allegheny's long range strategic plan. Through management of its capital resources, Allegheny can provide an attractive financial return to its shareholders while retaining and building sufficient capital to support future growth.

At March 31, 1992, Allegheny's total capital equity increased to $17,364 from $17,179 at December 31, 1991, representing a 1.07% increase. This increase in capital equity is attributable to the retention of internally generated undistributed net income.

Cash dividends paid during the first quarter of 1992 totalled $129, compared to the $125 paid during the first quarter of 1991. In addition, the Company purchased 2,608 shares of stock for $57,376. This was an isolated purchase and does not reflect an intention on the part of management or the Board of Directors to begin a repurchase program. No further activity in this area is currently anticipated.

At March 31, 1992, capital growth generated internally through the retention of earnings was 5.54%, compared to the 4.79% at March 31, 1991. The following table illustrates the components of Allegheny's internal capital generation rate for the period ended March 31, 1992 and 1991.

	Three Months Ended March 31,	
	1992	1991
Internal capital generation		
Return on average assets	.75%	.66%
Average assets to average equity	x 11.34	x 11.92
Return on average equity	8.50	7.86
Earnings retained	x 65.19	x 60.85
Internally generated capital	5.54%	4.79%

Allegheny's shareholders' equity when expressed as a percentage of total assets totalled 8.7% and 8.8% as of March 31, 1992 and December 31, 1991, respectively.

Primary capital, defined as the sum of common stock, surplus, retained earnings, treasury stock and the allowance for loan losses, totalled $18,932 as of March 31, 1992 and $18,541 as of December 31, 1991. Expressed as a percentage of total assets, primary capital was 9.4% at March 31, 1992, and 9.5% at December 31, 1991.

Allegheny's Risk Based Capital at March 31, 1992, as calculated under the rules promulgated by the Federal Reserve Board, approximated 20.6% of total risk weighted assets. The ratio of Tier I capital approximated 19.36% of total risk weighted assets. These levels are well within regulatory guidelines.

Management is not aware of any commitments at this time for material capital expenditures during the ensuing year.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on behalf of the undersigned thereunto duly authorized.

Allegheny Bankshares Corporation
(Registrant)

By: ______________________________
Philip L. McLaughlin, Chairman

____
David W. Hambrick, President

Date: May 5, 1992

022392

Q-35233

B 92-2230

92 18 5402

26/BC

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR QUARTER ENDED May 31, 1992 Commission File Number 0-16008

ARTAGRAPH REPRODUCTION TECHNOLOGY INCORPORATED
(Exact name of registrant as specified in its charter)

ONTARIO, CANADA	98-0082514
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

UNIT 5, 7100 Warden Avenue, Markham, Ontario	L3R 5M7
(Address of Principal executive offices)	Zip Code

Registrant's telephone number, including area code (416) 477-0252

Indicated by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

Class	Outstanding at May 31, 1992
Common Shares	14,419,785

PROCESSED BY
JUL 15 1992
Microfilmed by
Q-Data Corp. - St. Petersburg, FL

BEST COPY AVAILABLE

ARTAGRAPH REPRODUCTION TECHNOLOGY INCORPORATED

INDEX TO
QUARTERLY REPORT ON FORM 10Q FOR
THE QUARTER ENDED May 31, 1992.

PART 1 - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

	PAGE
Consolidated Balance Sheets as at May 31, 1992 and May 31, 1991.	3 - 4
Consolidated Statement of Accumulated Deficit for the six months ended May 31, 1992 for the six months ended May 31, 1991	5
Consolidated Statement of Loss for the six months ended May 31, 1992 for the six months ended May 31, 1991	6
Consolidated Statement of Cashflow for the six months ended May 31, 1992 for the six months ended May 31, 1991	7
Notes to Consolidated Financial Statements	8 - 20
Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	21 - 24
PART II - OTHER INFORMATION	25
SIGNATURES	26

ARTAGRAPH REPRODUCTION TECHNOLOGY INCORPORATED

CONSOLIDATED BALANCE SHEET AS AT MAY 31, 1992
(IN CANADIAN DOLLARS)

	May 31, 1992 (UNAUDITED)	RESTATED May 31, 1991 (UNAUDITED)	Nov 30, 1991 (AUDITED)
ASSETS			
CURRENT ASSETS			
Cash	$29,096	$201,150	-
Subscriptions Receivable (Note 10)	-	149,500	
Accounts receivable (Note 3)	1,161,424	659,297	742,074
Accounts receivable - Nihon Keizai Advertising Co. Ltd.	5,430	4,696	432,410
Inventories (Note 4)	1,912,964	1,374,306	1,936,036
Prepaid expenses and deposits	417,523	205,090	334,667
	3,526,459	2,594,043	3,445,176
CAPITAL ASSETS			
Equipment, furniture and fixtures	585,789	576,303	581,501
Moulds	318,400	285,679	309,099
Leasehold improvements	374,290	369,369	374,290
Artwork	72,536	72,536	72,536
	1,351,015	1,303,887	1,337,426
Less: Accumulated amortization	(872,610)	(777,350)	(820,474)
	478,405	526,537	516,952
OTHER ASSETS			
Art reproduction rights (Net of amortization - see Note 5)	12,164	28,022	19,130
	$4,017,028	$3,148,602	$3,981,258

See notes to unaudited consolidated financial statements.

ARTAGRAPH REPRODUCTION TECHNOLOGY INCORPORATED

CONSOLIDATED BALANCE SHEET AS AT MAY 31, 1992
(IN CANADIAN DOLLARS)

	May 31, 1992 (UNAUDITED)	RESTATED May 31, 1991 (UNAUDITED)	Nov 30, 1991 (AUDITED)
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Bank indebtedness	-	-	$102,789
Accounts payable and accrued liabilities	1,247,732	1,306,367	1,437,842
Royalties Payable - Esstra Industries Corp. (note 11)	-	228,875	192,628
Loan Payable - Esstra Industries Corp. (note 7)	50,000	100,000	100,000
Accounts Payable - related party (note 6)	461,872	292,660	462,510
Loans Payable (note 8)	662,000	-	-
	2,411,604	1,925,892	2,295,769
COMMITMENTS AND CONTINGENT LIABILITIES (Note 11 & 13)			
STOCKHOLDERS' EQUITY			
Common stock (Note 10)			
Issued 14,419,785 Common shares (1991 - 13,162,380)	12,871,986	12,271,923	12,871,635
Deficit per statement	(11,266,562)	(11,049,013)	(11,186,146)
	1,605,424	1,222,910	1,685,489
	$4,017,028	$3,148,802	$3,981,258

See notes to unaudited consolidated financial statements.

ARTAGRAPH REPRODUCTION TECHNOLOGY INCORPORATED

CONSOLIDATED STATMENT OF ACCUMULATED DEFICIT

(IN CANADIAN DOLLARS)

	THREE MONTHS ENDED May 31, 1992 (UNAUDITED)	RESTATED THREE MONTHS ENDED May 31, 1991 (UNAUDITED)	SIX MONTHS ENDED May 31, 1992 (UNAUDITED)	RESTATED SIX MONTHS ENDED May 31, 1991 (UNAUDITED)
EFICIT – beginning of period	($11,277,521)	($10,818,374)	($11,186,146)	($10,308,370)
ET INCOME (LOSS) – for period	10,959	(230,639)	(80,416)	(740,643)
EFICIT – end of period	($11,266,562)	($11,049,013)	($11,266,562)	($11,049,013)

See notes to unaudited consolidated financial statements.

ARTAGRAPH REPRODUCTION TECHNOLOGY INCORPORATED

CONSOLIDATED STATEMENT OF LOSS

	THREE MONTHS ENDED May 31, 1992 (UNAUDITED)	RESTATED THREE MONTHS ENDED May 31, 1991 (UNAUDITED)	SIX MONTHS ENDED May 31, 1992 (UNAUDITED)	RESTATE SIX MONTH ENDED May 31, 199 (UNAUDITE
SALES	$1,072,622	$1,519,661	$2,264,286	$2,674,09
COST OF GOODS SOLD	442,680	852,696	1,071,231	1,400,79
GROSS PROFIT	629,942	666,965	1,193,055	1,273,29
EXPENSES				
Selling (note 9)	230,498	179,243	508,187	971,07
General and administrative	366,328	689,745	723,642	985,44
	596,826	868,988	1,231,829	1,956,51
Amortization of art reproduction rights	5,000	12,000	10,000	24,00
Bank charges and interest	3,066	2,628	6,394	5,20
Loan interest	16,185	14,842	25,520	29,84
Interest earned	(84)	(864)	(272)	(1,62
TOTAL EXPENSES	618,983	897,604	1,273,471	2,013,94
INCOME (LOSS) BEFORE INCOME TAXES	10,959	(230,639)	(80,416)	(740,64
INCOMES TAXES (note 12)	0	0	0	
NET LOSS	$10,959	($230,639)	($80,416)	($740,64
NET INCOME (LOSS) PER COMMON SHARE	$0.001	($0.018)	($0.006)	($0.06
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	14,419,785	12,602,380	14,419,785	12,602,38

See notes to unaudited consolidated financial statements.

ARTAGRAPH REPRODUCTION TECHNOLOGY INCORPORATED

CONSOLIDATED STATEMENT OF CASHFLOW
(IN CANADIAN DOLLARS)

	THREE MONTHS ENDED May 31, 1992 (UNAUDITED)	SIX MONTHS ENDED May 31, 1992 (UNAUDITED)	SIX MONTHS ENDED May 31, 1991 (UNAUDITED)
OPERATING ACTIVITIES			
Net profit / (loss)	$10,959	($80,416)	($740,643)
Add: Items not requiring an outlay of cash			
Amortization of art reproduction rights	5,000	10,000	24,000
Depreciation and amortization	26,101	52,136	71,439
	42,060	(18,280)	(645,204)
Accounts receivable	(416,434)	(420,112)	19,226
Accounts receivable – Nihon Kazai Advertising Co. Ltd.	(5,460)	427,712	–
Inventories	38,062	23,361	288,030
Prepaid expenses and deposits	(1,947)	(82,866)	101,943
Accounts payable and accrued liabilities	(174,211)	(190,110)	(24,967)
Royalties payable Eastra Induetries Corp.	–	(192,628)	157,676
Accounts payable – related party	(17,865)	(638)	(42,713)
Cash used by operating activities	(534,795)	(453,641)	(146,031)
INVESTMENT ACTIVITIES			
Acquisition of fixed assets and Art reproduction rights	(4,288)	(16,823)	(29,391)
Cash provided by (used by) investment activities	(4,288)	(16,823)	(29,391)
FINANCING ACTIVITIES			
Issue of common stock	351	351	172,500
Short term loans	652,000	652,000	100,000
Short term loan – Eastra Industries Corp.	(50,000)	(50,000)	–
Bank overdraft	(34,170)	(102,789)	–
Cash provided by financing activities	568,181	499,562	272,500
INCREASE (DECREASE) IN CASH	29,098	29,098	97,078
CASH, BEGINNING OF PERIOD	0	0	104,072
CASH, END OF PERIOD	$29,098	$29,098	$201,150
Supplemental disclosure of cash flow information:			
Interest paid in year	$3,452	$38,113	$3,000
Income Taxes paid in year	$0	$0	$0

See notes to unaudited consolidated financial statements.

ARTAGRAPH REPRODUCTION TECHNOLOGY INCORPORATED
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 1992

1. INCORPORATION AND OPERATIONS

The Company was incorporated in Canada on January 24, 1986 under the Business Corporations Act, 1982 (Ontario) and commenced manufacturing operations in Toronto, Canada in September 1986 and commenced sales in March 1987.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and its three wholly owned subsidiaries:

Artagraph Reproduction Technology (USA) Corporation
Artagraph Reproduction Technology Corporation
Artagraph Reproduction Technology Direct Corporation

which were incorporated in the State of Delaware on August 19th, 1987.

The operations of the wholly-owned subsidiaries were discontinued as of November 30, 1988.

All intercompany balances and transactions were eliminated on consolidation.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value.
Cost is determined on a first-in first-out basis.

(c) Trade Shows and Promotional Programs

The cost of trade shows and promotional programs are amortized over a maximum period of one year from the commencement date of each program. The unamortized costs of these programs are included in the balance sheet as prepaid expenses.

SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Capital assets

Capital assets, excluding moulds and original art, are recorded at cost and amortized on the declining balance method at rates sufficient to substantially amortize the cost of the assets over their estimated useful lives as follows:

Equipment, furniture and fixture	20% per annum
Leasehold improvements	Term of lease
Artwork (original works of art)	Not amortized

Moulds are recorded at cost and are amortized on the unit-of-production method which is sufficient to amortize the cost of the moulds over their estimated lives.

(e) Art Reproduction Rights

Art reproduction rights are recorded at cost and are amortized over their estimated useful lives on a straight line basis over a period of three years.

(f) Translation of foreign currencies

These financial statements are presented in Canadian dollars at exchange rates prevailing at the transaction date. Current monetary assets and current monetary liabilities are translated at the exchange rate prevailing at balance sheet date.

Foreign currency exchange gains and losses were charged to general and administration expenses.

(g) Stock options

The gain or loss from the stock options issued under various option plans are amortized over a period not exceeding the current fiscal year.

(h) Earnings (Loss) per share

Earnings (Loss) per share amounts are based on the weighted average number of common shares outstanding during the year and has been calculated in accordance with Canadian generally accepted accounting principles. Earnings per share in accordance with U.S. generally accepted accounting principles are disclosed in Note 14.

SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Management representations

In the opinion of management, all adjustments necessary for a fair presentation of the financial position at May 31, 1992 and May 31, 1991 and results of operations, changes in financial position and related note disclosures for the six month period ended May 31, 1992 and May 31, 1991 have been made.

3. ACCOUNTS RECEIVABLE

Accounts Receivable consists of the following:

	1992	Restated 1991
Trade Accounts Receivable	$1,334,147	$784,208
Sundry Receivables	50,946	21,748
	1,385093	805,956
Less: Allowance for Bad Debts	223,669	146,659
	$1,161,424	$659,297

4. INVENTORIES

	1992	Restated 1991
Inventories consist of the following:		
Finished goods	$ 219,989	$293,672
Work in process	1,115,525	705,765
Raw materials	577,440	374,871
	$1,912,954	$1,374,308

5. ART REPRODUCTION RIGHTS

	1992	Restated 1991
Art reproduction rights, at cost	$441,873	$438,838
Less:Accumulated amortization	429,709	410,816
	$ 12,164	$ 28,022

6. ACCOUNTS PAYABLE - RELATED PARTY

Accounts payable in the amount of $461,872 (1991 - $292,650) is due to Herzig Somerville Limited, a company controlled by Ernest Herzig, a member of the Board of Directors of the Company. These amounts due are in respect of inventory purchases, $67,374 for the six months ended May 31, 1992 (1991 - $187,786). During 1991 the Company entered into an agreement with Herzig Somerville Limited with respect to the orderly retirement of accounts payable owing by the Company to Herzig Somerville Limited. In consideration of Herzig Somerville Limited entering into such agreement, the Company is to pay to Herzig Somerville Limited interest monthly on the first day of each and every month commencing February 1, 1991 on the balance from time to time during the previous month of such payables which are aged in excess of 60 days from the date of invoice, at an interest rate equal to 1% in excess of the prime interest rate charged by the Canadian Imperial Bank of Commerce from time to time. As further consideration, Herzig Somerville Limited was granted a stock option to purchase 50,000 of the Company's Common shares at a price of Cdn $0.01 per share, which option is exercisable in whole or in part, at any time or times during the three year period from December 27,1990.

Due to the experienced liquidity shortage, the Company was unable to meet the payment schedule agreed to with Herzig Somerville Limited with respect to the orderly retirement of accounts payable owing by the Company to it. Recognizing this, Herzig Somerville Limited has provided the Company with flexible payment terms. It is the Company's intention to bring Herzig Somerville Limited current during the fiscal year 1992 and to grant Herzig Somerville Limited, an option to purchase 150,000 Common shares at an exercise price of Cdn $1.00 per share in consideration for such terms.

7. LOAN PAYABLE - ESSTRA INDUSTRIES CORP.

Loan amount of $50,000 is due to Esstra Industries Corp., a former shareholder of the Company. Esstra Industries Corp., receives royalties on sales as referred to in note 11. The loan is being secured by a promissory note, and a general assignment of book debts to a maximum amount of $400,000, bears interest at the Canadian Imperial Bank of Commerce prime lending rate plus 2% per annum. This loan will be repaid from the proceeds of the share offering referred to in note 10.

8. LOANS PAYABLE

	1992	1991
Sasson Matatyhu, in Trust	150,000	-
Bridge financing loan (note 10)	502,000	-
	$652,000	$ -

The loan amount of $150,000 due to Sasson Matatyhu, in Trust was received during the quarter ended May 31, 1992, bears interest at the rate of 10% per annum which is payable monthly and is secured by a General Security Agreement. In addition to interest the lender has been granted options to purchase 120,000 common shares at an exercise price of US$0.50 per share. These options will expire February 28, 1996. This loan is repayable as follows:

July 1, 1992	$ 50,000
August 1, 1992	50,000
August 31, 1992	50,000
	$150,000

A bridge financing loan, in the amount of $502,000 was received during the quarter ended May 31, 1992 in conjunction with the public offering referred to in note 10. This loan bears interest at the rate of 10% per annum, is secured by a General Security Agreement and is to be repaid from the proceeds of the public offering referred to in note 10, but in any event no later than December 31, 1992. In addition to interest the lenders have been granted options to purchase 1,300,000 common shares at an exercise price of US $0.20 per share. These options will expire March 31, 1994.

9. SELLING EXPENSES

	1992	Restated 1991
Royalties (note 11)	$ 126,000	$ 374,898
Program promotions and Trade Shows	207,824	404,671
Consulting fees: Home Furnishings segment	-	75,200
Travel	66,298	79,832
Salaries and consulting	83,400	-
Other	24,665	36,470
	$508,187	$971,071

10. COMMON STOCK

Common stock of the company is as follows:

	1992	1991
Authorized - Unlimited common shares		
Issued 14,389,785 common shares (1991 - 12,602,380)	$12,871,635	$11,949,923
Common shares issued second quarter 30,000 common shares (1991 560,000)	351	322,000
Total common shares outstanding 14,419,785 (1991 - 13,162,380)	$12,871,986	$12,271,923

During the quarter ended May 31, 1992, options which were granted in 1991 as part of the private placement to purchase 30,000 common shares were exercised for consideration of $351.

Subscriptions receivable as at May 31, 1991 of $149,500 relate to the balance of proceeds due from private placements in May 1991.

On March 6, 1992 the Company entered into a letter of intent to enter into a definitive Underwriting Agreement with J. Gregory & Company Inc., Investment Bankers, to underwrite on a firm commitment basis, an offering of 700,000 "units", at US$5 per unit for gross proceeds of US$3,500,000. Each unit will consist of a (1) share of 12% Convertible Preferred Stock with a 12% cumulative dividend and two (2) common share purchase warrants.

10. COMMON STOCK ...continued

The proceeds of the funds from this Public Offering will be used as follows:

	US
Repayment of the balance of the loan from Esstra Industries Inc. (note 7)	$ 43,000
Purchase Intellectual property, patents and the Licensing Agreement from Esstra Industries Corp. (note 11)	1,200,000
Repayment of the loan from Sasson Matatyhu In Trust (note 8) (Cdn $150,000)	132,000
Repayment of the Public Offering Bridge Financing Loan (note 8)	425,000
Escrow amount of preferred share dividend payment	420,000
Working capital and cost of issue	1,280,000
Gross proceeds of public offering	$3,500,000

11. COMMITMENTS AND CONTINGENT LIABILITIES - ROYALTIES

The Company is committed to pay royalties pursuant to a License Agreement, based on units sold, to Esstra Industries Corp. for the exclusive worldwide rights to manufacture, distribute and sell Artagraphs with annual minimum royalty payments for 1991 and each subsequent year of $650,000.

The minimum royalty payments are payable in equal quarterly instalments. For each year, the first three quarterly royalty instalments shall be the greater of one quarter of the annual minimum royalty payment and 20% of the royalty payment of the previous year. This agreement will expire on August 31, 1996, and may be renewed for an additional ten years subject to the renewal terms of the agreement between the Company and Esstra Industries Corp.

During the quarter ended May 31, 1992, Esstra Industries Corp. agreed, by way of a Memorandum of Agreement to sell to the Company all the patents and intellectual property owned by Esstra Industries Corp. as well as the License Agreement for the amount of US $3,225,000. The purchase price is to be satisfied on closing as follows:

Cash on closing	US $1,200,000
Promissory Note due to Esstra Industries Corp.	2,025,000
	$3,225,000

The Promissory Note is to provide that the Principal shall be payable at the rate of US $25,000 per month for twelve consecutive months commencing one month after closing, and thereafter at the rate of US $175,000 per month for six consecutive months (with the exception of the first payment which shall be $200,000) with the outstanding balance payable in full on the first day of the nineteenth month following the closing.

The Promissory Note shall provide that interest shall be calculated and payable monthly, not in advance at the bank's Canadian Dollar commercial loan rate plus 1 3/4% per annum commencing twelve months after the closing date. Interest shall be payable on each date that a principal payment is due. The Promissory Note shall be open for repayment at any time or times without notice, penalty or bonus.

The indebtedness of the Company to Esstra pursuant to the Promissory Note shall be reduced by the Company from time to time by an amount equal to 50% of the net proceeds received by the Company from the sale of any securities including the exercise of any warrants issued in connection with it's proposed offering of Convertible Preferred stock and warrants referred to in note 10, promptly after receipt of such proceeds.

11. COMMITMENTS AND CONTINGENT LIABILITIES - ROYALTIES ...continued

As security for the obligation of the company pursuant to the Promissory Note, the Company shall grant Esstra a security interest over the patents and intellectual property being assigned. In the event that the Company fails to make any payment of principal or interest, or becomes insolvent,prior to Esstra having received all amounts due and owing to it pursuant to the promissory note, Esstra shall be entitled to realize upon such security.

If the above-noted closing should not take place on or before December 31, 1992, the Company shall pay Esstra Industries Corp. all royalties pursuant to the License Agreement as referred to above as if the Memorandum of Agreement had never been entered into.

During the period, six months ended May 31, 1992, the Company has provided for royalties expense in the amount of $126,000 which approximates amortization for various patents and other intellectual property to be purchased under the Memorandum Agreement referred to above. During the period six months ended May 31, 1991 royalties expense incurred was $374,898.

Pursuant to the Memorandum of Agreement referred to above, royalties in the approximate amount of $435,000 that relate to the period September 30, 1991, the effective date of the Memorandum of Agreement to May 31, 1992 have not been reflected in these financial statements. If the purchase and sale agreement does not close, then these royalties, less $126,000 already provided for, will be expensed in 1992.

12. INCOME TAXES

There are no current or deferred Income taxes payable in Canada or the United States.

The Company has accounting losses for Canadian and U.S. Income tax purposes of approximately $10,996,000 available for deduction against future years' earnings, the benefit of which has not been recognized in these financial statements.

These losses expire as follows:

	Canadian	U.S.	Total
1993	$ 634,000	$ -	$ 634,000
1994	1,650,000	-	1,650,000
1995	1,349,000	-	1,349,000
1996	992,000	-	992,000
1997	3,491,000	-	3,491,000
1998	870,000	-	870,000
1999	80,000	-	80,000
2002		400,000	400,000
2003		1,530,000	1,530,000
	$9,066,000	$1,930,000	$10,996,000

13. LEASE OBLIGATIONS

Annual lease obligations for office, showroom and factory premises under operating leases are as follows:

1992	177,000
1993	56,000
1994	23,000
TOTAL	$256,000

14. RECONCILATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles ("Canadian G.A.A.P."). These principles differ in some respects from the United States generally accepted accounting principles (" U.S. G.A.A.P."). The effect of such differences on the Company's consolidated balance sheet and consolidated statement of loss is as follows:

	May 31, 1992		RESTATED May 31, 1991	
	Canadian G.A.A.P.	U.S. G.A.A.P.	Canadian G.A.A.P.	U.S. G.A.A.P.
Consolidated Balance sheet:				
Capital Stock issued	$12,871,986	$14,834,596	$12,271,923	$14,234,536
Accumulated Deficit	($11,266,562)	($13,229,174)	($11,049,013)	($13,011,625)
Shareholder's equity	$1,605,424	$1,605,424	$1,222,910	$1,222,910

The accumulated difference between Canadian G.A.A.P. and U.S. G.A.A.P. is due to the difference in recognition of compensation cost as referred to below.

	May 31, 1992 (six months)	RESTATED May 31, 1991 (six months)
Consolidated statement of operations:		
Net loss under Canadian G.A.A.P.	($80,416)	($740,643)
Add: Compensation under stock option plan	0	0
Net loss under U.S. G.A.A.P.	($80,416)	($740,643)
Net loss per common share under U.S. G.A.A.P.:		
Before compensation under stock option plan	($0.006)	($0.054)
After compensation under stock option plan	($0.006)	($0.054)
Weighted average number of shares U.S. G.A.A.P.	14,404,786	13,653,780

14. **Reconciliation between Canadian and United States Generally Accepted Accounting Principles...continued**

Opinion 25 of the Accounting Principles Board requires that an employer recognize compensation costs for stock issued through non - variable employee stock option plans as the difference between the quoted market price of the stock at the measurement date (the date of the grant of the option) less the amount the employee is required to pay. In Canada, such costs are not recognized until the option is exercised.

During the six months ended May 31, 1992 and May 31, 1991, no compensation costs relating to stock options issued to employees and recognized under U.S. G.A.A.P. were incurred.

Opinion 15 of the Accounting Principles Board requires that for U.S. G.A.A.P. purposes the Company follow the "Treasury Stock Method" in determining the weighted average number of shares. This method results in a difference in the weighted average number of shares as determined in accordance with Canadian G.A.A.P.

For U.S. G.A.A.P. purposes the "Treasury Stock Method" increases the weighted average number of shares by a factor which takes into consideration the number of stock options outstanding, the exercise price of these stock options and the quoted market price for the Company's shares. No such calculation is required under Canadian G.A.A.P. to determine the weighted average number of shares.

15. **FUTURE OPERATIONS**

The accompanying financial statements have been prepared on the basis of accounting principles applicable to a going concern. The ability to realize the carrying value of assets reported in the consolidated financial statements is dependent upon the attainment of profitable operations and the continued financial support of its creditors and the successful completion of the public offering referred to in note 10. The consolidated financial statements do not reflect adjustments that might be necessary should profits not be attained, or should the support not be continued or should the public offering not be successfully completed.

16. CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to S.E.C. form 10Q and Article 10 of Regulation SX. Accordingly, certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these unaudited consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the company's 10K for the year ended November 30, 1991.

17. COMPARATIVE FIGURES

The comparative figures have been reclassified where necessary to conform with the current year's presentation and have been restated for the six months ended May 31, 1991 to reflect required inter-period adjustments within the fiscal year ended that were disclosed in the preparation of annual financial statements for the year ended November 30, 1991. The adjustments that resulted in this restatement are as follows:

Loss from operations as originally reported for the six months ended May 31, 1991		$177,643
Restatement adjustments:		
Cost of sales	$100,000	
Selling expenses	140,000	
General and administrative	140,000	
Royalties	174,000	
Interest	9,000	
	$563,000	563,000
Loss from operations as restated for the period six months ended May 31, 1991		$740,643

The effect of the above noted adjustments was to increase the net loss for the six months ended May 31, 1991 by the amount of $563,000. Loss for the fiscal year ended November 30, 1991 remains at $877,776. The figures for the six months ended May 31, 1992 and May 31, 1991 are unaudited.

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Sales for the six months ended May 31, 1992 were $2,264,286 a decrease of $409,808 over the corresponding period last year. Second quarter sales were $1,072,622, a decrease of $447,039 over the corresponding quarter in 1991. This decrease in sales is due to (1) a one-time publishing contract in May 1991 of $400,000 (2) decrease in sales to a Japanese distributor of approximately $350,000 as compared to the corresponding period last year (3) losses in sales referred to were offset by increase in sales to the home furnishings segment of approximately $300,000 as compared to the corresponding period.

Gross Profit for the six months ended May 31, 1992 amounted to $1,193,055 a decrease of $80,242 or 6.3% from the corresponding period in 1991. Gross Profit as a percentage of sales amounted to 52.7% for period ended May 31, 1992, as compared to 47.6% for the corresponding period in 1991. Improvement in gross margins reflect a favourable sales mix of products sold and exchange rate between Canadian and U.S. Dollar. Almost all of the Company's sales are in U.S. Dollars.

Selling Expenses for the six months ended May 31, 1992 amounted to $508,187 representing a decrease of $462,884 or 47.7% from the corresponding period in 1991. This decrease is attributed (1) a decrease of $248,898 of royalty expense for the six months ended May 31, 1992 due to the termination of the royalty payments to Esstra Industries Corp., see note 11 to the financial statements. Royalty payments previously expensed is to be replaced by a significantly lower amortization charge of patents and intellectual property upon purchase of Esstra agreement referred to in note 11 and (2) a decrease of $196,847 of trade shows and programme promotions which reflects the change in emphasis of the Company's marketing efforts from direct mail to home furnishings and distributorships.

General and Administrative expenses for the six months ended May 31, 1992 were $723,642 a decrease of $261,800 or 26.6% from the corresponding period in 1991. This decrease reflects management's efforts to curb expenses resulting in lower payroll and payroll benefit costs, lower freight, telephone and in general all administration expenses.

Amortization of Art Reproduction Rights for the six months ended May 31, 1992 amounted to $10,000 a reduction of $14,000 from the corresponding period in 1991. This decrease is due to lower additions to Art Reproduction Rights during the previous two years as the Company's policy is to amortize such costs over three years on a straight line method.

The Net Loss for the six months ended May 31, 1992 was $80,416 compared to a net loss of $740,643 for the corresponding period last year, representing a decrease of $660,227.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

During the previous fiscal year ended November 30, 1991 and the period six months ended May 31, 1992 the Company experienced a liquidity shortage. The liquidity shortage continues despite the Company's increased level of sales and its reduction in overhead expenses. During the previous fiscal year the Company took steps to address this shortage, including renegotiating the terms of its royalty payments with Esstra under the License Agreement, curtailing discretionary expenditures and reducing payroll costs, raising funds through private placement and the exercise of warrants (see below) by reducing the exercise price to US$0.40 per share. The liquidity shortage will persist until the completion of the proposed Offering. There can be no assurance that the Offering will be completed or that the Company will be successful in obtaining alternative financing if necessary. Assuming successful completion of the Offering the Company intends using approximately US$ 530,000 of the proceeds for working capital. In Management's opinion, the proceeds from the Offering in conjunction with working capital provided by operations should enable the Company to meet its obligations for a minimum of twelve months.

Sales increased 57% during the fiscal year ended November 30, 1991 over 1990 levels. Although, sales for the period six months ended May 31, 1992 were lower than the corresponding period last year, Management expects that the trend to increase it's annual sales will continue and reach levels in 1992 adequate to sustain the Company's operations. Anticipated increases are expected to come from:

a) expanded offshore distribution. The Company added new international distributors last year and in the first quarter of this year and anticipates increased sales volume as a result.

b) continued expansion into the Home Furnishings market. The sales into this marketplace increased from approximately $800,000 for the fiscal year ended November 30, 1990 to $1,650,000 for the fiscal year ended November 30, 1991, and, from approximately $598,000 for the six month period ended May 31 1991 to $1,106,000 for the period six months ended May 31, 1992.

c) the introduction of new product lines including wall decor which retails for between $195 to $495 as compared to retail prices for the Company's Artagraph Editions of between $595 and $$1,250. Industry studies indicate that over 50% of all wall decor sold in the Home Furnishings market retail for between $150 and $495. Additional new products calendars and A.R.T. Awards to be used in premium/ Incentive programs.

LIQUIDITY AND CAPITAL RESOURCES ...continued

In addition, the Company continues to pursue cost reductions in the areas of employee benefits, structured programs to reduce freight charges on shipped goods, tighter inventory controls, and elimination of royalty payments assuming successful conclusion of the Offering. The royalty payments, which were $574,009 for the year ended November 30, 1991 and $573,419 for the year ended November 30,1990 will be replaced with an amortization charge of approximately $215,000, however, such charge does not incur cash outflow.

To assist the Company in meeting it's working capital requirements until the completion of the this offering, the Company has obtained two short term loans, the first in the amount of Cdn$150,000 and the second for US$425,00C. The Cdn.$150,000.00 loan was provided to the Company as to $100,000.00 on March 2, 1992 and the balance of $50,000 on March 12, 1992 by Sasson Matatyhu in Trust ("Matatyhu"). This loan bears interest at the rate of 10% per annum payable monthly in arrears. As additional consideration for this loan, the Company issued Matatyhu an option to purchase 120,000 common shares at an exercise price of US$0.50 per share. These options are exercisable at any time or times on or before February 28, 1996 subject to the Company's right to obtain a lock-up agreement with respect to those shares underlying those options for a period of six months commencing no later than June 30, 1992. The US$425,000 loan bears interest on the principal balance equal to 10% per annum. As additional consideration for this Loan, the holders received warrants to purchase 475,000 Common Shares of the Company at an exercise price of US$0.60 per share. These warrants will expire on the second anniversary of their issue.

In connection with the above loans the Company granted the lenders general security interest in all of the assets of the Company. Both loans are intended to be repaid from the proceeds of the Offering.

Working Capital at May 31, 1992 amounted to $1,114,855 an increase of $446,504. over the corresponding period last year when Working Capital amounted to $668,351. This increase is attributable primarily to issuance of capital stock amounting to $1,465,405 offset by losses incurred during the last two quarters in the fiscal year ended November 30, 1991. Fluctuations in main components of working capital, notably accounts receivable, inventories and prepaid expenses are explained below.

Accounts Receivable at May 31, 1992 totalled $1,166,884 an increase of 502,889 over May 31, 1991 balance and a decrease of $7,600 from November 30, 1991 balance. The increase over corresponding period last year reflects higher sales in May 1992 as compared to May 1991.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES ...continued

The allowance for bad debts at May 31, 1992 amounted to $223,669 (1991 - $146,659) compared to $224,420 as at November 30, 1991, the Company's fiscal year end. The increase over the corresponding period in 1991 reflects amounts provided during the quarter ended November 30, 1991 of $118,000 in respect of accounts receivable from an overseas distributor currently in receivership.

Inventory levels at May 31, 1992 were $1,912,954 an increase of $538,646 over the same period last year, and a decrease of $23,081 over the November 30, 1991 balance. Increase over the corresponding quarter end last year reflects Artagraphs and Works of Art lines added during the last three quarters of fiscal year ended November 30, 1991.

Prepaid Expenses at May 31, 1992 were $417,523 an increase of $212,433 over the same period last year and an increase of $82,866 over the November 30, 1991 balance. The increase over the same period in 1991 and the previous year end balance reflects the cost of new catalogues and brochures.

There were no significant fixed asset purchases during the six months ended May 31, 1992. The Company has no significant commitments or plans requiring funding for investment activities in 1992 other than purchase of the royalty agreement - see note 11 to the financial statements.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings - None

Item 2. Changes in Securities - None

Item 3. Defaults upon Senior Securities - None

Item 4. Submission of matters to a vote of Security Holders - None

Item 5. None

Item 6. Exhibits and Reports on Form 8-K - None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ARTAGRAPH REPRODUCTION TECHNOLOGY INCORPORATED
(Registrant)

Dated: July 1, 1992

By: ______________________
Naren Leava
Chief Financial Officer
and on behalf of Chairman of the Board
and authorized signatory on behalf of the
Registrant

20612
9-35195

92 14 4392

ORIGINAL

15
ge

RECD S.E.C.
MAY 13 19
184

CG2-2230

PROCESSED BY
MAY 14 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d) of
The Securities Exchange Act of 1934

For Quarter Ended March 31,

Commission File Number 0-1

Cablevision Investment of Detroit, Inc.
(Exact name of registrant as specified in its charter)

Michigan
(State or other jurisdiction of incorporation or organization)

38-2697922
(IRS Employer Identification Number)

24744 Eureka Road, Taylor, Michigan 48180
(Address of principal executive offices) (Zip Code)

(313) 946-8331
(Registrant's telephone number, including area code)

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. X Yes ___ No

The number of shares outstanding of each of the issuer's classes of common stock, as of May 4, 1992: 1,000,000 shares of Common Stock, $.01 par value.

BEST COPY
AVAILABLE

CABLEVISION INVESTMENT OF DETROIT, INC.

INDEX

Page No.

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements
Condensed Balance Sheet - March 31, 1992 and December 31, 1991 3

Condensed Statement of Operations - three months ended March 31, 1992 and 1991 4

Condensed Statement of Cash Flows - three months ended March 31, 1992 and 1991 5

Notes to Condensed Financial Statements 6

Item 2 - Management's Discussions and Analysis of Financial Condition and Results of Operations 11

SIGNATURE 15

Part I - Financial Information
Item 1 - Financial Statements
Cablevision Investment of Detroit, Inc.
Condensed Balance Sheet
(Unaudited)

	March 31, 1992	December 31, 1991
Assets		
Current assets:		
Cash	$ 65,795	$ 67,777
Notes receivable - Affiliate	1,000,000	1,000,000
Interest receivable	3,879	4,557
Total current assets	1,069,674	1,072,334
Investment in Barden Cablevision	4,673,341	4,725,036
Total assets	$5,743,015	$5,797,370
Liabilities and stockholders' equity		
Accounts payable	$ 7,498	$ 21,441
Stockholders' equity		
Common stock; $.01 par value; authorized shares - 4,000,000; 1,000,000 issued and outstanding	10,000	10,000
Preferred stock, no par value; authorized shares - 2,000,000; none issued and outstanding	-	-
Paid in capital	7,890,000	7,890,000
Deficit	(2,164,483)	(2,124,071)
Total stockholders' equity	5,735,517	5,775,929
Total liabilities and stockholders' equity	$5,743,015	$5,797,370

See accompanying notes.

Cablevision Investment of Detroit, Inc.

Condensed Statement of Operations

(Unaudited)

	Three months ended March 31	
	1992	1991
Income:		
Interest income	$ 12,951	$ 18,404
Equity in net income of Barden Cablevision	89,251	79,144
	102,202	97,548
Expenses:		
Amortization	140,946	140,946
Administrative expenses	1,668	4,166
	142,614	145,112
Net loss	$ (40,412)	$ (47,564)
Net loss per share	$ (.04)	$ (.05)
Shares used in loss per share calculation	1,000,000	1,000,000

See accompanying notes.

Cablevision Investment of Detroit, Inc.

Condensed Statement of Cash Flows

(Unaudited)

	Three months ended March 31 1992	 1991
Operating activities		
Net loss	$ (40,412)	$ (47,564)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Equity in net income of Barden Cablevision	(89,251)	(79,144)
Amortization	140,946	140,946
Decrease in interest receivable	678	1,552
Increase (decrease) in accounts payable	(13,943)	2,880
Net cash provided (used) by operating activities	(1,982)	18,670
Investing activities		
Advances to affiliates	-	(19,832)
Net decrease in cash	(1,982)	(1,162)
Cash at beginning of period	67,777	10,927
Cash at end of period	$ 65,795	$ 9,765

See accompanying notes.

Cablevision Investment of Detroit, Inc.

Notes to Condensed Financial Statements

(Unaudited)

1. Management's statement

In the opinion of management, the accompanying unaudited condensed financial statements contain all adjustments necessary to present fairly the financial position of the Company at March 31, 1992 and December 31, 1991, and the results of its operations and cash flows for the three months ended March 31, 1992 and 1991. Interim results will not necessarily indicate results for the full year. The accounting policies have been consistently followed by the Company. The financial statements and the notes to the financial statements included in the Company's latest Annual Report on Form 10-K should be read in conjunction with these condensed financial statements.

2. Organization and significant accounting policy

Business

Cablevision Investment of Detroit, Inc. ("Company") was incorporated in Michigan on October 23, 1986, and was formed to hold a 10.2 percent general partnership interest in Barden Cablevision, a Michigan co-partnership (the "Partnership") which holds a franchise to construct and operate a cable television system in the City of Detroit, Michigan. Maclean Hunter Cable TV, Inc. which, through a wholly-owned subsidiary, holds a 49 percent general partnership interest in the Partnership, has purchased 961,024 shares (96.1%) of the Company's common stock and, accordingly controls the Company.

Significant accounting policy

The Company is accounting for its 10.2% investment in Barden Cablevision at cost, adjusted for amortization of such cost in excess of the Company's equity in the net assets of the Partnership and adjusted for its share of the Partnership's net income or loss and distributions. At the date of acquisition, the Company's investment in the Partnership exceeded its share of partners' capital by $5,638,000. Such excess is being amortized on a straight-line basis over ten years. Accumulated amortization amounted to $2,349,101 and $2,208,155 at March 31, 1992 and December 31, 1991, respectively.

3. Barden Cablevision Partnership

The Company's investment in the Partnership is pledged to a bank as collateral for the Partnership's $80,000,000 loan facility.

The following are the condensed financial statements of Barden Cablevision.

Barden Cablevision
Condensed Balance Sheet
(Unaudited)

	March 31, 1992	December 31, 1991
Assets		
Current assets:		
Cash	$ -	$ 189,686
Accounts receivable - net	1,869,297	2,357,631
Prepaid expenses and deposits	673,807	584,844
Total current assets	2,543,104	3,132,161
Property, plant and equipment, net	75,062,195	75,081,076
Deferred costs, net	5,674,299	6,003,651
Total assets	$83,279,598	$84,216,888
Liabilities and partners' capital		
Current liabilities:		
Note payable - Affiliate	$ 1,000,000	$ 1,000,000
Accounts payable:		
Trade	2,101,700	3,065,778
Affiliate	593,534	971,821
Accrued liabilities	3,257,783	2,901,585
Total current liabilities	6,953,017	7,939,184
Completion guaranty fee	1,997,292	1,952,818
Equipment deposits and other	4,855,621	4,726,225
Long-term notes payable	55,900,000	56,900,000
Total liabilities	69,705,930	71,518,227
Partners' capital	13,573,668	12,698,661
Total liabilities and partners' capital	$83,279,598	$84,216,888

3. Barden Cablevision Partnership (continued)

Barden Cablevision
Condensed Statement of Operations
(Unaudited)

	Three months ended March 31 1992	 1991
Revenues:		
Subscriber service charges:		
Basic	$ 7,086,167	$ 6,544,260
Premium	6,902,912	7,420,182
Other	1,669,530	1,312,460
	15,658,609	15,276,902
Expenses:		
Operating expenses before depreciation and amortization	11,142,917	10,458,635
Depreciation and amortization	2,772,621	2,645,522
Interest and other financing fees, net	868,064	1,396,827
	14,783,602	14,500,984
Net income	$ 875,007	$ 775,918

3. Barden Cablevision Partnership (continued)

Barden Cablevision
Condensed Statement of Cash Flows

(Unaudited)

	Three months ended March 31	
	1992	1991
Operating activities:		
Net income	$ 875,007	$ 775,918
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,772,621	2,645,522
Amortization of completion guarantee fee discount	44,474	40,761
Decrease (increase) in accounts receivable	488,334	(394,485)
Decrease (increase) in prepaid expenses and deposits	(88,963)	109,938
Increase (decrease) in accounts payable and accrued liabilities	(1,783,686)	265,144
Increase in equipment deposits and other	129,396	239,590
Net cash provided by operating activities	2,437,183	3,682,388
Investing activities		
Capital expenditures	(2,424,388)	(3,499,760)
Financing activities		
Repayment of debt	(1,000,000)	-
Net increase (decrease) in cash	(987,205)	182,628
Cash at beginning of period	189,686	14,864
Cash (overdraft) at end of period	$ (797,519)	$ 197,492

3. Barden Cablevision Partnership (continued)

Barden Cablevision
Notes to Condensed Financial Statements
(Unaudited)

A. Management's Statement

In the opinion of management of the Partnership, the accompanying unaudited condensed financial statements contain all adjustments necessary to present fairly the financial position of the Partnership at March 31, 1992 and December 31, 1991 and the results of its operations and cash flows for the three months ended March 31, 1992 and 1991. Interim results will not necessarily indicate results for the full year. The accounting policies have been consistently followed by the Partnership.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Registrant

Results of Operations

Cablevision Investment of Detroit, Inc. ("Registrant") was incorporated in October, 1986. Its future performance will depend almost entirely on the ability of Barden Cablevision, a Michigan co-partnership ("Partnership"), of which the Registrant holds a 10.2% general partnership interest, to operate the cable television system in Detroit in an economic manner.

Liquidity and Capital Resources

The Registrant's source of funds was a public offering in 1987 of 1,000,000 shares of its Common Stock at $8 per share. The Registrant used the proceeds for: (1) payment of $100,000 of offering expenses of the Registrant; (2) creation of a reserve of $862,000 to fund future corporate expenses such as audits, annual meetings, filings and shareholder communications; and (3) payment by the Registrant of the purchase price for its 10.2% partnership interest in the Partnership of $7,038,000, or $690,000 per 1% partnership interest.

Because no distributions from the Partnership to the Registrant are currently anticipated, the Registrant's sources of additional funds will be limited to borrowings or issues of equity securities. The Registrant does not have a line of credit or similar arrangement. There can be no assurance that additional funds, if required, will be available from borrowings or security sales, or that, even if available, such funds would be obtained on terms favorable to the Registrant. If the Registrant were to raise funds through additional offerings of its capital stock, the ownership interest of existing shareholders in the Registrant could be diluted.

Future events which could require additional funds include, among others, taxes attributable to the Registrant's share of the Partnership's taxable income, replenishment of the Registrant's reserve to fund future corporate expenses, possible cash contributions to the Partnership should additional funds be required by the Partnership, and funds to satisfy the Registrant's obligations as a general partner in the Partnership to third parties.

Although the Registrant does not have any contractual obligations under its partnership agreement to make capital contributions or to lend funds to the Partnership, as a general partner in the Partnership, it is jointly and severally liable with its other partners for liabilities of the Partnership. Accordingly, the assets of the Registrant, including its interest in the Partnership, could be required to be used to satisfy liabilities of the Partnership if the Partnership were unable to pay them. Such liabilities would include, among others, any borrowing by the Partnership under its $80,000,000 loan facility with a bank.

The Partnership

Results of Operations

The Partnership commenced its principal operations in January, 1987. Prior to that time it was in a developmental stage with no revenue or operating expenses. From January 1, 1987 through December 31, 1990, the Partnership was in the prematurity stage during which the cable television system was partially under construction and partially in service. Construction was substantially completed in 1990. The Registrant's annual report on Form 10-K filed on March 27, 1992 should be referred to for the results of the Partnership's operations during 1991.

Plant construction has now been completed. The cumulative miles total 2,050. The partnership now passes a total of 383,000 homes.

During the quarter ended March 31, 1992, 1,682 basic subscribers were added to the system for a cumulative total of 117,651 basic subscribers. For the corresponding period in 1991, there were 116,914 basic subscribers, for an increase over the prior year of 737 subscribers. At March 31, 1992, there were 257,147 pay units, a decrease during the quarter of 291 pay units. For the corresponding quarter in 1991, there were 271, 971 pay units. The reduction over the prior year was, therefore, 14,824 pay units.

The increase in subscribers during the quarter is encouraging, perhaps indicating that the poor economic conditions in Detroit have bottomed out, and that subscriber sales and retention are slowly moving in a positive direction. The pay penetration (the number of pay services taken by the average subscriber) is now at 2.19 services per basic subscriber. A further decline in this ratio is anticipated over time as subscribers become more selective with their choice of programming services because of the wide choice of programming offered on basic service. This decline is predictable as a cable system begins to mature.

Basic revenue for the three-month period ended March 31, 1992 was $7,086,167 compared with $6,544,260 for the comparable period in 1991, for an increase of 8%. This reflects a basic rate increase of 8% implemented on January 1, 1992. Premium revenue (Pay-TV) for the three-month period ended March 31, 1992 was $6,640,829 compared with $7,420,182, for a decline of 12%. This reflects the decline in pay units discussed above, as well as a decline in revenues from major pay-per-view events. The increase in other revenue during the same period to $1,669,530 from $1,312,460 comes mostly from an increase in channel guide revenue.

The Partnership's net profit for the three-month period ended March 31, 1992 was $875,007. This compares with a net profit of $775,918 for the corresponding quarter in 1991, for an increase of 11%. The major contributing factor to this favorable variance is the reduction in interest expense this year over last year caused by more favorable interest rates.

Liquidity and Capital Resources

The level of the Partnership's capital resources was designed to satisfy the Partnership's commitment to build and operate a cable television system in Detroit in compliance with the mandates of its franchise. The capital needs for construction of the system were approximately $100,000,000. The Partnership met its obligations with $15,000,000 of capital contributions received from Detroit Cable TV, Inc., a general partner, continued borrowings under its agreement with the bank, and out of operating cash flow. As of March 31, 1992, $55,900,000 had been advanced under the loan agreement. It is anticipated that our debt level is now close to its peak. The availability of borrowings from the bank is dependent on the ability of the Partnership to comply with the terms and conditions of its loan agreement.

Although the Partnership currently is not in default under its loan agreement, there can be no assurance that it will not be in default at some time in the future. The availability of funds from the Partnership's operating cash flow is subject to risks associated with the cable system, including risks related to construction, operations, and response of potential subscribers to the cable system.

None of the partners, including the Registrant, and none of the partners' affiliates, are under any contractual obligation to provide funds to the Partnership. Alternative sources of capital may not be available and, even if available, the terms thereof may be unfavorable to the Partnership. The result could be that the partners, including the Registrant, could lose their entire investment in the Partnership or suffer a dilution in their partnership interest in the Partnership.

Regulation

The cable television industry is regulated primarily by the Federal Communications Commission ("FCC"), some state governments and most local governments. Present FCC regulations include requirements with respect to registration of operation, recordkeeping, technical standards and periodic reporting. Several states have assumed regulatory jurisdiction of the cable television industry, and it is anticipated that other states will do so in the future. Cable television operations are subject to local regulation insofar as systems operate under franchises granted by local authorities.

In addition, the Cable Communications Policy Act of 1984 ("Cable Act of 1984") imposed uniform national regulations on cable television systems and franchising authorities. The Cable Act of 1984 afforded rate deregulation to the cable television industry except under certain limited circumstances. Certain court cases, which have arisen since the Cable Act of 1984, have brought about further deregulation of the cable television industry. This deregulation, together with recent rate increases by some cable television operators, have brought about proposed legislation to re-regulate cable television rates.

The United States Senate has recently approved the proposed Cable Television Consumer Protection Act of 1992. This proposed Act would impose significant rate regulation on the cable television industry and would put in place a system of retransmission consent and must-carry rules which would reorganize the relationship between the broadcasters and the cable industry. The House of Representatives is currently considering a companion bill in an attempt to do many of the same things included in the Senate bill. These bills, if enacted and approved by the President, would have the effect of significantly limiting the flexibility of cable systems to raise rates and add services. Regulatory costs through the FCC, state authorities and municipal regulators could increase cable operating expenses in a way that would not always be recoverable through rates.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Cablevision Investment of Detroit, Inc.

By: ______________________
John Haughey, Treasurer and Director
(Chief Financial Officer)

Dated: May 12, 1992

0Q0739

Q 35202

92 13 9437

21ya

D92-2230

SEC MAIL
RECEIVED
MAY 1 2 1992
106
WASH DC

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED: MARCH 31, 1992

21-17C

PROCESSED BY
MAY 14 1992
Microfilmed by
Q-Data Corp. - St. Petersburg, FL

COMMISSION FILE NUMBER: 0-16084

CITIZENS & NORTHERN CORPORATION

LSI

STATE OF INCORPORATION: PENNSYLVANIA

I.R.S. EMPLOYER IDENTIFICATION NUMBER: 23-2451943

REGISTRANT'S TELEPHONE NUMBER (INCLUDING AREA CODE): 717-724-3411

ADDRESS OF PRINCIPAL EXECUTIVE OFFICES: THOMPSON STREET
RALSTON, PA 17763

MAILING ADDRESS OF EXECUTIVE OFFICE: 90-92 MAIN STREET
WELLSBORO, PA 16901

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (D) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

As of March 31, 1992 2,458,754 COMMON SHARES WERE OUTSTANDING

COMPLETE COPY

BEST COPY
AVAILABLE

CITIZENS & NORTHERN CORPORATION - FORM 10-Q

Part I - Financial Information
Item 1. Financial Statements

CONSOLIDATED BALANCE SHEET
(Dollars in Thousands)

	MARCH 31, 1992 (Unaudited)	December 31, 1991 (Audited)
ASSETS		
Cash & Due from Banks	$ 9,316	$ 13,095
Interest Bearing Deposits with Banks	572	925
Securities Held for Sale	45,440	49,331
Investment Securities (approximate market value $173,357 at March 31, 1992 and $174,515 at December 31, 1991)	171,164	169,571
Trading Account Investments	--	--
Federal Funds Sold	--	--
Net Loans and Lease Finance Receivables	200,070	196,524
Bank Premises and Equipment	5,271	5,071
Other Real Estate	33	41
Accrued Interest Receivable	4,593	4,579
Other Assets	2,088	1,758
TOTAL ASSETS	$ 438,547	$ 440,895
LIABILITIES		
Deposits:		
Noninterest-Bearing	$ 31,863	$ 32,598
Interest-Bearing	318,260	311,524
Total Deposits	350,123	344,122
Borrowed Funds	44,600	54,500
Federal Funds Purchased	--	--
Securities Sold Under Agreement to Repurchase	--	--
Dividends Payable	578	572
Other Liabilities	1,573	1,073
TOTAL LIABILITIES	$ 396,874	$ 400,267
SHAREHOLDERS EQUITY		
Common Stock, Par Value $1.00 per Share Authorized - 10,000,000 shares 1991 10,000,000 shares 1992 Issued - 2,434,409 shares 1991 2,458,754 shares 1992	$ 2,459	$ 2,434
Stock Dividend Distributable	--	511
Paid In Capital	9,267	8,781
Retained Earnings	30,947	29,902
	42,673	41,628
Less - Treasury Stock at Cost 50,000 shares at December 31, 1991 50,500 shares at March 31, 1992	(1,000)	(1,000)
Unrealized Loss on Equity Securities	--	--
TOTAL SHAREHOLDERS EQUITY	$ 41,673	$ 40,628
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	$ 438,547	$ 440,895

See accompanying "Notes to Consolidated Financial Statements".

Part I - Financial Information (continued)
Item 1. Financial Statements (continued)

CONSOLIDATED STATEMENT OF INCOME

(Dollars in Thousands except Per Share Data)

	Fiscal Year To Date 3 Months Ending March		3 Months Ending March	
	1992 (Current)	1991 (Prior Yr)	1992 (Current)	1991 (Prior Yr)
INTEREST INCOME				
Interest & Fees on Loans:				
Taxable	$ 5,422	$ 5,452	$ 5,422	$ 5,452
Tax-exempt	72	91	72	91
Interest on Securities Held for Sale	846	--	846	--
Interest on Investment Securities:				
Taxable	2,638	3,495	2,638	3,495
Tax-exempt	639	572	639	572
Interest on Federal Funds	6	61	6	61
Total Interest Income	9,623	9,671	9,623	9,671
INTEREST EXPENSE				
Interest on Deposits	4,248	4,931	4,248	4,931
Interest on Other Borrowings	622	596	622	596
Total Interest Expense	4,870	5,527	4,870	5,527
Interest Margin	4,753	4,144	4,753	4,144
Provision for Loan Losses	181	124	181	124
Net Interest Income After Provision for Loan Losses	4,572	4,020	4,572	4,020
OTHER INCOME				
Trust Department Income	95	97	95	97
Service Charge on Deposit Accts	256	251	256	251
Other Service Charges & Fees	49	57	49	57
Securities Gain (Net)	232	70	232	70
Unrealized Loss on Securities Held for Sale	(370)	--	(370)	--
Other Operating Income	137	156	137	156
Total Other Income	399	631	399	631
Total Income After Interest Expense	4,971	4,651	4,971	4,651
OTHER EXPENSES				
Salaries & Wages	1,119	1,038	1,119	1,038
Employee Benefits	360	320	360	320
Occupancy Expense (Net)	157	136	157	136
Furniture & Equipment Expense	138	170	138	170
Other Expenses	1,131	1,075	1,131	1,075
Total Other Expenses	2,905	2,739	2,905	2,739
Income Before Income Taxes	2,066	1,912	2,066	1,912
Applicable Income Taxes	443	479	443	479
NET INCOME	$1,623	$1,433	$1,623	$1,433
PER SHARE DATA:				
Net Income	$ .67	$ .59	$ .67	$ .59
Number Shares Used in Computation	2,408,254	2,424,518	2,408,254	2,424,518
Number Shares Outstanding	2,458,754	2,434,409	2,458,754	2,434,409
Number Shares Authorized	10,000,000	10,000,000	10,000,000	10,000,000
Dividend Per Share	$ .24	$ .23	$ .24	$ .23

Part I - Financial Information (continued)
Item 1. Financial Statements (continued)

STATEMENT OF CASH FLOWS
(In Thousands)

	Periods Ended March 31, 1992	Periods Ended March 31, 1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 1,623	$ 1,433
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provision for Loan Losses	181	124
Unrealized Loss on Securities Held for Sale	(232)	(70)
Realized Investment Securities Gains	370	244
Provision for Depreciation and Amortization	438	--
Accretion of Investment Securities Discount	17	(18)
Decrease (Increase) in Accrued Interest Receivable and Other Assets	(344)	(932)
Increase (Decrease) in Accrued Interest Payable and Other Liabilities	506	1,061
Net Cash Provided by Operating Activities	2,559	1,842
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sales and Maturities of Investment Securities	11,519	52,857
Proceeds from Sales and Maturities of Securities Held for Sale	3,289	--
Purchase of Investment Securities	(12,977)	(43,240)
Net Increase in Loans	(3,727)	(1,964)
Purchase of Premises and Equipment	(326)	(23)
Purchase, Sale of Other Real Estate	8	(64)
Net Cash Provided (Used) by Investing Activities	(2,214)	7,566
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Increase in Deposits	6,001	4,242
Increase (Decrease) in Federal Funds Borrowed	--	(7,500)
Proceeds from Short Term Borrowings	(9,900)	(4,975)
Dividends Paid	(578)	(549)
Acquisition of Treasury Stock	--	(400)
Net Cash Provided (Used) by Financing Activities	(4,477)	(9,182)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,132)	226
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,020	13,910
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9,888	$ 14,136
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest Paid	$ 4,179	$ 4,751
Income Taxes Paid (Recovered)	$ 661	$ 716

Part I - Financial Information (continued)
Item 1. Financial Statements (continued)

Notes to Consolidated Financial Statements

1. The financial information included herein, with the exception of the Consolidated Balance Sheet dated December 31, 1991 is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) that are, in the opinion of management, necessary to a fair presentation of the financial position, results of operations, and changes in financial position for the interim periods.

Part I - Financial Information (continued)
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Earnings Overview

Earnings per share for the quarter ending March 31, 1992 amounted to $.67 per share, 13.6% higher than the $.59 per share earned during the same period last year.

The increase in earnings is the result of an increase in the net interest margin from 3.50% during the period ending March 31, 1991 to the current level of 4.05% for the first quarter of 1992.

It appears that the same level of earnings will continue through the third quarter of 1992 and decline slightly during the final quarter as more of the earning assets reprice at lower rates.

Interest Margin

The net interest margin increased $609,000 over the same period in 1991, an increase of nearly 15%. The increase was due to the sharp decline in interest rates. The overall cost of funds has declined from 6.74% for the first quarter of 1991 and 6.32% for the year ending December 31, 1991, to 5.36% for the first quarter of 1992.

The rate of return on earning assets also declined 87 basis points when compared to the first quarter of 1991 and 50 basis points since year end 1991. The current rate of return on earning assets stands at 9.41%.

The sharp decline in the cost of funds coupled with the more gradual drop in the rates on earning assets has allowed the net spread to increase to 4.05% for the first quarter of 1992. This spread will probably be maintained through the second and third quarters of 1992 and begin to decline in the last quarter as the loan portfolio, particularly the mortgage portion, begins to roll over at the lower rates. The overall decline should not exceed 50 basis points, and the cost of interest-bearing liabilities is unlikely to decline further since they are at base levels.

Tables I and II present a comparison of average balances, rates of return and interest income and expense for the three month periods being compared.

TABLE I
ANALYSIS OF THE EFFECT OF VOLUME AND RATE CHANGES IN INTEREST INCOME AND INTEREST EXPENSE BETWEEN QUARTERS ENDING MARCH 31, 1992 / 1991
(In Thousands)

	Change in Volume	Change in Rate	Change in Rates & Volumes	Total Change
EARNING ASSETS				
Investments:				
U.S. Treasury Securities	$ (260)	$ (2)	$ 1	$ (261)
Securities of Other U.S. Government Agencies	(135)	(375)	20	(490)
Obligations of States and Political Subdivisions	54	12	1	67
Stock	15	65	19	99
Other Securities	(144)	(42)	11	(175)
Total Investments	(470)	(342)	52	(760)
Other:				
Securities Held for Sale	--	--	846	846
Interest-bearing Due from Banks	21	(31)	(20)	(30)
Federal Funds Sold	(52)	(18)	15	(55)
Loans:				
Real Estate	389	(173)	(20)	196
Consumer	(121)	49	(4)	(76)
Agricultural	17	(11)	(3)	3
Commercial	(74)	(90)	13	(151)
Other	--	(1)	--	(1)
Political Subdivisions	(11)	(9)	1	(19)
Leases	--	(1)	--	(1)
Total Loans	200	(236)	(13)	(49)
Total Interest Income	(301)	(627)	880	(48)
INTEREST-BEARING LIABILITIES				
Interest Checking	102	(163)	(38)	(99)
Money Market	100	(253)	(26)	(179)
Savings	49	(109)	(11)	(71)
Certificates of Deposit	(9)	(361)	1	(369)
Individual Retirement Accounts	95	(46)	(6)	43
Other Time Deposits	(3)	(5)	--	(8)
Federal Funds Purchased	(318)	(291)	153	(456)
Other Borrowed Funds	--	--	482	482
Total Interest Expense	16	(1,228)	555	(657)
NET INTEREST INCOME	$ (317)	$ 601	$ 325	$ 609

TABLE II
ANALYSIS OF AVERAGE BALANCES AND RATES
(In Thousands)

EARNING ASSETS	3/31/92	Rate of Return/ Cost of Funds %	12/31/91	Rate of Return/ Cost of Funds %	3/31/91	Rate of Return/ Cost of Funds %
Securities Held for Sale	$ 47,997	7.15	$ 8,596	8.14	$ --	--
Investments:						
Obligations of the U.S. Treasury	1,569	8.27	8,616	8.17	14,290	8.32
Obligations of Other U.S. Government Agencies	107,578	7.81	119,996	8.44	113,539	9.15
Obligations of States and Political Subdivisions	31,856	8.14	30,310	7.37	29,127	7.96
Stock	9,211	6.74	7,758	6.55	7,159	3.06
Other Securities	18,387	8.34	24,398	9.26	24,839	9.03
Total Investment Securities	168,601	7.88	191,078	8.29	188,954	8.66
Interest-bearing Due from Banks	821	3.95	1,322	7.89	1.583	8.45
Federal Funds Sold	566	4.30	3,320	5.75	4,018	6.07
Loans:						
Real Estate	138,392	10.57	129,454	10.97	124,220	11.14
Consumer	37,231	15.12	39,410	14.38	40,581	14.63
Agricultural	2,545	10.20	2,247	11.44	1,994	12.41
Commercial	16,175	8.83	18,391	9.58	18,972	10.75
Other	464	7.87	442	8.60	443	9.15
Political Subdivisions	4,303	6.79	4,703	7.36	4,881	7.56
Leases	128	3.17	191	6.81	192	4.22
Total Loans	199,238	11.18	194,838	11.44	191,283	11.75
Less Unearned Discount	(49)		(127)		(197)	
Allowance for Loan Losses	(2,620)		(2,768)		(2,570)	
Net Loans and Leases	196,569	11.34	191,943	11.61	188,516	11.92
Total Earning Assets	414,554	9.41	396,259	9.87	383,071	10.24
Cash	10,133		10,439		9,273	
Other Assets	6,080		5,739		5,188	
Bank Premises and Equipment	5,179		4,710		4,725	
Total Assets	$435,946		$417,147		$402,257	
LIABILITIES						
Interest Checking	$ 41,099	3.35	$ 35,514	4.94	$ 33,352	5.33
Money Market	71,502	4.45	65,586	5.53	64,780	6.03
Savings	44,325	3.85	42,674	4.85	40,327	4.95
Certificates of Deposit	118,197	6.45	119,008	7.19	118,682	7.69
Individual Retirement Accounts	45,729	7.07	41,507	7.13	40,596	7.53
Other Time Deposits	2,198	4.80	2,632	4.98	2,423	5.69
Other Borrowed Funds	45,358	5.56	38,099	7.12	32,615	7.31
Total Interest-bearing Liabilities	368,408	5.36	345,020	6.32	332,775	6.74
Demand Deposits	24,110		29,342		29,315	
Other Liabilities	2,486		4,063		2,258	
Stockholders' Equity	40,942		38,722		37,909	
Total Liabilities and Stockholders' Equity	$435,946		$417,147		$402,257	
Net Rate of Return		4.05		3.55		3.50

Allowance for Possible Loan Losses

The budgeted charge to earnings for the allowance for possible loan losses in 1992 is $726,000 and management's best estimate of gross losses is between $300,000 and $500,000. Recoveries should run between $100,000 and $150,000. The difficulty in predicting losses lies in nonperforming loans, which total $790,651. The estimated loss in nonperforming loans could range from a low of $55,000 to a worst-case loss of $250,000.

The percent of loans past due 30 days or more is at a very uncomfortable 5.29% and a concerted effort is under way to lower this number.

The allowance is at 1.33% at March 31, 1992, up from 1.28% at year end 1991, and is expected to finish the year at 1.41%, slightly less than our peer group which stands at 1.45%.

The following tables illustrate the expected activity in the allowance for possible loan losses for 1992, a historical analysis of the last five years and projections for 1992.

TABLE III
ESTIMATED LOAN LOSS ACTIVITY FOR 1992

Beginning Balance	$2,548,000
Recoveries	125,000
Provision	726,000
Subtotal	3,399,000
Charge-Offs	(400,000)
Total	$2,999,000
Estimated Year End Net Loans	$213,000,000
Allowance as a % of Net Loans	1.41%

TABLE IV
LOAN LOSS HISTORY FOR THE PAST SIX YEARS

	Est. 1992	1991	1990	1989	1988	1987	Average
*Net Loans	213,000	199,072	190,544	159,715	143,102	126,907	172,057
Net Charge Offs	400	3,142	115	222	79	183	690
Allowance Balance	2,999	2,548	2,539	2,284	2,231	1,958	2,427
Provision for Loan Losses	726	3,151	326	275	352	460	882
Earnings	6,593	5,643	5,342	4,268	4,474	5,090	5,235
Earnings Coverage of Net Charge Offs	16.5 x	1.8 x	46.5 x	19.2 x	56.6 x	27.8 x	28.0 x
Allowance Coverage of Net Charge Offs	7.5 x	.81 x	22.1 x	10.3 x	28.2 x	10.7 x	13.0 x
Accruing Loans Contr 90 Days Past Due (2)	3,589	3,810	2,425	1,684	1,313	1,154	1,731
Net Charge Offs as a % of Provision	55.1%	99.7%	35.3%	80.7%	22.4%	39.8%	56.0%
Year End Non Performing	300	17	309	264	355	370	336
Allowance as a % of Net Loans	1.41%	1.28%	1.33%	1.43%	1.56%	1.54%	
Peer Group (1)	1.44%	1.44%	1.34%	1.32%	1.30%	1.26%	

*Gross loans less unearned discount
(1) At December 31, 1991
(2) At March 31, 1992

TABLE V
ALLOCATION OF ALLOWANCE FOR LOAN LOSSES BY LOAN TYPE
(In Thousands)

	1992 (Est.)	1991	1990	1989	1988	1987
Mortgage	$ 14	$ 11	$ 17	$ 45	$ 75	$ 91
Consumer	171	136	22	112	107	190
Commercial	611	653	55	155	182	178
Total Allocated	796	800	94	312	364	459
Unallocated	2,203	1,748	2,445	1,972	1,867	1,499
Total Allowance	$2,999	$2,548	$2,539	$2,284	$2,231	$1,958

Other Income

The following table compares the major categories of other income for the periods ending March 31, 1992 and March 31, 1991 and the increase or decrease by category.

TABLE VI
MAJOR CATEGORIES OF OTHER INCOME
(In Thousands)

	Period Ended March 31, 1992	Period Ended March 31, 1991	$ Change	% Change
Trust Department	$ 95	$ 97	$ (2)	(2%)
Service Charges on Deposit Accounts	256	251	5	2%
Other Service Charges and Fees	49	57	(8)	(14%)
Security Gains or (Losses)	232	70	162	231%
Unrecognized Losses on Securities Held for Sale	(370)	--	(370)	--%
Other Operating Income	137	156	(19)	(12%)
Total Other Income	$ 399	$ 631	$ (232)	(37%)

There were no significant changes in other income categories, with the exception of "Security Gains and Losses" and "Unrecognized Losses on Securities Held for Sale".

Recognized securities gains resulted from the sale of stock in two Pennsylvania bank holding companies. The stock in one of the holding companies was sold because the bank's holdings had become extensive due to mergers, and only a portion of the total shares were sold. The other was sold because management felt it was somewhat overpriced.

The Corporation booked $370,000 in unrecognized losses on "Securities Held for Sale". The investments are held in this capacity since the securities were purchased with borrowed funds, therefore, the ability to hold them is absent. Holding the securities in this capacity requires that they be carried at the lower of cost or market and adjusted quarterly if the market value falls. The market value of these securities has recovered to the original cost since March 31, 1992.

Other operating income declined $19,000 due to a decline of $17,000 in premiums earned on credit life and accident and health insurance coverage written when compared to the same period last year.

Other Expenses

Table VII examines other expenses for the period being compared and the change between periods.

TABLE VII
MAJOR CATEGORIES OF OTHER EXPENSE
(Dollars in Thousands)

	Period Ending March 31,			
	1992	1991	$ Change	% Change
Salaries and Wages	$1,119	$1,038	$ 81	8%
Employee Benefits	360	320	40	13%
Occupancy Expense, Net	157	136	21	15%
Furniture and Equipment Expense	138	170	(32)	(19%)
Other Expense	1,131	1,075	56	5%
Total Other Expense	$2,905	$2,739	$ 166	6%

Salaries and wages increased 8% over the same period in 1991. This increase was due to normal merit increases and an increase from 184 full-time equivalent employees to 187 for the current period.

Employee benefits increased $40,000 or 13% over 1991. The largest contributing factors to this increase were group hospitalization insurance, which increased $10,723, and the pension contribution due to an increase in active participants in the Plan and a change in mortality tables.

Occupancy expense exceeded the first quarter of 1991 by $21,000. This was caused by relatively small increases in several expense categories. Two of the largest increases were real estate taxes, which increased by $3,600, and building maintenance, which increased by $5,600.

Furniture and equipment expense declined $32,000; however, this was due to a duplication of an equipment maintenance charge in the first quarter of 1991, which was corrected later in the year.

Other expense increased $56,000 or 5%. The most significant variations between the first quarter of 1991 and 1992 were credit card processing costs, which increased $50,726. This is due to the increase in the number of new banks now using the credit card processing program.

Legal fees for the first quarter of 1992 declined nearly $15,000 when compared to the first quarter of 1991. This was due to a decline in the number of bankruptcies as compared to 1991.

Other expense associated with Bucktail Life Insurance Company increased $15,493 due to losses incurred on life policies and accident and health claims.

Statement of Condition

Total assets of the Corporation increased 7.8% or nearly $32,000,000; however, $19,300,000 was an increase in borrowed funds. Real growth amounted to $12,700,000, an increase of nearly 4%.

The investment portfolio increased $25,348,000 including "Securities Held for Sale", which amounted to $45,400,000. The portion of the portfolio classified as "held for sale" were mortgage-backed instruments purchased with funds borrowed from the Federal Home Loan Bank with original maturities ranging from one to three years.

The increase in loan volume slowed substantially in 1991, with growth since March 31, 1991 of 5%. Most of the loan activity centered around mortgage products. With the decline in rates, loan officers were busy rewriting mortgages at lower rates and many customers were including other consumer debt with their mortgage to take advantage of the deductible interest costs on their tax returns.

Deposit growth was just over 4%, slightly less than the loan growth. The growth was not weighted toward any particular deposit type. Surprisingly, regular savings accounts posted the largest increase.

Borrowing from the Federal Home Loan Bank increased from $25,000,000 to $44,600,000, with $10,000,000 coming due in 1992 and the balance in 1994 and 1995. The portion of the loan maturing in 1992 will be rolled over for a three year term.

Liquidity and Interest Rate Sensitivity

The Corporation's ability to cover short term deposit fluctuations or unusually heavy loan demand have been met using a flexline of credit with the Federal Home Loan Bank of Pittsburgh. The line amounts to $40,000,000. The bank also maintains credit lines with several of its correspondent banks.

Interest rate sensitivity is measured on a monthly basis using a computer model which projects the effect on earnings of a negative gap and a balanced position using rising, falling and flat rate scenarios.

The results of the model are monitored very carefully each month by the asset and liability committee to determine at what level the negative gap should remain or be eliminated.

TABLE VIII
RATE SENSITIVE ASSETS AND RATE SENSITIVE LIABILITIES
(In Thousands)

	Within One Year	After One Year But Within Five	After Five Years	Noninterest Assets Liabilities Equity	Total
Assets					
Interest-bearing Deposits	$ 572	$ --	$ --	$ --	$ 572
Securities Held for Sale	45,440	--	--	--	45,440
Investment Securities	1,280	9,379	160,505	--	171,164
Loans and Lease Financing	97,201	50,743	54,852	--	202,796
Unearned Discount	--	--	--	(63)	(63)
Allowance for Possible Loan Losses	--	--	--	(2,663)	(2,663)
Other Assets	4,593	--	5,304	11,404	21,301
Total Assets	149,086	60,122	220,661	8,678	438,547
Liabilities and Stockholders' Equity					
Interest-bearing Deposits	244,396	28,323	45,541	--	318,260
Demand Deposits	--	--	--	31,863	31,863
Borrowed Funds	34,600	10,000	--	--	44,600
Other Liabilities	578	--	--	1,573	2,151
Stockholders' Equity	--	--	--	41,673	41,673
Total Liabilities and Stockholders' Equity	279,574	38,323	45,541	75,109	438,547
Interest Rate Sensitivity Gap	$(130,488)	$ 21,799	$175,120	$(66,431)	

Capital Adequacy

The Corporation recognizes that in this era of bank and S & L failures and the rapid decline in FDIC reserves, a strong capital base is a necessity to instill customer and shareholder confidence.

It has always been the Corporation's goal to internally generate capital through strong earnings produced by a sound asset base and to choose financially sound merger partners.

The Corporation's capital to asset ratio and capital to deposits ratio at March 31, 1992 were 9.5% and 11.9%, respectively. The Corporation's risk-based capital ratio stands at 17.27%, far in excess of regulatory guidelines.

The Corporation has no substantial capital expenditures planned in the foreseeable future which would materially impair or reduce the current ratios.

This document has not been reviewed or confirmed for accuracy or relevance by the Federal Deposit Insurance Corporation.

Part II - Other Information

Item 1. Legal Proceedings

Citizens & Northern Corporation is not a litigant in any pending material lawsuits.

It is the opinion of the counsel of Citizens & Northern Corporation that minor lawsuits which are pending will not have a significant or materially detremental effect on the capital of the Corporation or in any way affect the results of operations.

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits filed as part of this report are listed below:

Exhibit 1 -- Quarterly Report to Shareholders for period ending March 31, 1992

b. No reports on Form 8-K were filed during the period ending March 31, 1992

CITIZENS & NORTHERN CORPORATION - FORM 10-Q

SIGNATURE PAGE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CITIZENS & NORTHERN CORPORATION

Date May 8, 1992

William K Francis

William K. Francis
President and
Chief Executive Officer

Date May 8, 1992

James W. Seipler
Treasurer
(Chief Financial Officer)

CITIZENS & NORTHERN CORPORATION

CONSOLIDATED STATEMENT OF INCOME
(In Thousands) (Unaudited)

	3 Months Ending March 1992 (Current)	3 Months Ending March 1991 (Prior Yr)	Fiscal Year To Date 3 Months Ending March 1992 (Current)	Fiscal Year To Date 3 Months Ending March 1991 (Prior Yr)
INTEREST INCOME				
Interest & Fees on Loans:				
Taxable	$ 5,422	$ 5,452	$ 5,422	$ 5,452
Tax-exempt	72	91	72	91
Interest on Securities Held for Sale	846	—	846	—
Interest on Investment Securities				
Taxable	2,638	3,495	2,638	3,495
Tax-exempt	639	572	639	572
Interest on Federal Funds	6	61	6	61
Total Interest Income	9,623	9,671	9,623	9,671
INTEREST EXPENSE				
Interest on Deposits	4,248	4,931	4,248	4,931
Interest on Other Borrowings	622	596	622	596
Total Interest Expense	4,870	5,527	4,870	5,527
Net Interest Income	4,753	4,144	4,753	4,144
Provision for Loan Losses	181	124	181	124
Net Interest Income After Provision for Loan Losses	4,572	4,020	4,572	4,020
OTHER INCOME				
Trust Department Income	95	97	95	97
Service Charge on Deposit Accounts	256	251	256	251
Other Service Charges & Fees	49	57	49	57
Security Gains (Net)	232	70	232	70
Unrealized Loss on Securities Held for Sale	(370)	—	(370)	—
Other Operating Income	137	156	137	156
Total Other Income	399	631	399	631
Total Income After Interest Expense	4,971	4,651	4,971	4,651
OTHER EXPENSES				
Salaries & Wages	1,119	1,038	1,119	1,038
Employee Benefits	360	320	360	320
Occupancy Expense (Net)	157	136	157	136
Furniture & Equipment Expense	138	170	138	170
Other Expenses	1,131	1,075	1,131	1,075
Total Other Expenses	2,905	2,739	2,905	2,739
Income Before Income Taxes	2,066	1,912	2,066	1,912
Applicable Income Taxes	443	479	443	479
NET INCOME	$1,623	$1,433	$1,623	$1,433
PER SHARE DATA:				
Net Income	$ .67	$ .59	$ .67	$ .59
Number Shares Used in Computation	2,408,254	2,424,518	2,408,254	2,424,518
Number Shares Issued	2,458,754	2,434,409	2,458,754	2,434,409
Number Shares Authorized	10,000,000	10,000,000	10,000,000	10,000,000
Dividend Per Share	$ .24	$ .23	$ .24	$ .23

CONSOLIDATED BALANCE SHEET
(In Thousands) (Unaudited)

	March 31, 1992	March 31, 1991
ASSETS		
Cash & Due from Banks	$ 9,316	$ 9,994
Interest Bearing Deposits	572	1,542
Securities Held for Sale	45,440	—
Investment Securities		
U.S. Treasury Securities	575	12,174
Securities of Other U.S. Government Agencies	110,780	114,010
Obligations of States & Political Subdivisions	32,966	30,231
Other Securities	26,843	34,831
Total Investment Securities	171,164	191,246
Federal Funds Sold	—	2,600
Loans		
Loans to Political Subdivisions	4,239	4,856
Other Loans	198,557	187,764
Total Loans	202,796	192,620
Less - Allowance for Loan Losses	(2,663)	(2,586)
Unearned Income	(63)	(189)
Loans, Net	200,070	189,845
Bank Premises and Equipment	5,271	4,597
Other Real Estate	33	74
Accrued Interest on Bonds and Loans	4,593	4,511
Other Assets	2,088	2,292
TOTAL ASSETS	$438,547	$406,701
LIABILITIES		
Deposits		
Demand	$ 31,863	$ 28,487
Interest Checking	36,022	33,637
Money Market	72,402	69,928
Savings	45,474	41,301
Other Time	164,362	162,125
Total Deposits	350,123	335,478
Dividends Payable	578	549
Borrowed Funds	44,600	25,000
Loan Payable	—	300
Securities Sold Under Agreement to Repurchase	—	4,875
Other Liabilities	1,573	2,412
TOTAL LIABILITIES	$396,874	$368,614
SHAREHOLDERS EQUITY		
Common Stock, Par Value $1.00 per Share Authorized - 10,000,000, Issued 2,458,754 and 2,434,409 in 1992 and 1991, respectively	$ 2,459	$ 2,434
Paid in Capital	9,267	8,781
Retained Earnings	30,947	27,872
	42,673	39,087
Less:		
Treasury Stock at Cost		
50,500 shares at March 31, 1992	(1,000)	
50,000 shares at March 31, 1991		(1,000)
TOTAL SHAREHOLDERS EQUITY	$ 41,673	$ 38,087
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	$438,547	$406,701
Contingent Liabilities on Unused Letters of Credit	$ 2,185	$ 2,002

CITIZENS & NORTHERN BANK

BOARD OF DIRECTORS

William K. Francis	Chairman

J. Robert Bower
Roy W. Cummings, Sr.
R. Robert DeCamp
R. James Dunham
Adelbert E. Eldridge
Laurence R. Kingsley
Edward L. Learn
John D. Lewis
John H. Macafee
Lawrence F. Mase
Robert J. Murphy
Edward H. Owlett
Leonard Simpson
Howard W. Skinner
Donald E. Treat

DIRECTORS EMERITI

Newman W. Benson
John B. Kentch
Robert H. Marquardt
Leslie W. Miller
John W. Orr

CORPORATE

William K. Francis	Chairman of Board and President
Howard W. Skinner	Senior Vice President
Craig G. Litchfield	Vice President
James W. Seipler	Controller & Cashier
Kathleen M. Osgood	Corporate Secretary
Klas G. Anderson	Assistant Vice President
Robert E. Bolt	Assistant Vice President
Jeffrey B. Osgood	Assistant Vice President and Personnel Officer
Sandra G. Andrews	Assistant Cashier
Mark C. Griffis	Assistant Cashier
Karen L. Keck	Bookkeeping Manager
Eileen K. Ranck	Assistant Credit Card Manager
Joseph A. Snell	Assistant Controller

TRUST DEPARTMENT

Paul M. Ritter	Vice President and Trust Officer
Thomas L. Briggs	Trust Officer
Nicholas Helf, Jr	Trust Officer
Gerald W. Smith	Trust Officer
Mary J. Wood	Trust Officer
Rhonda J. Patt	Assistant Trust Officer

DATA PROCESSING DEPARTMENT

Robert W. Anderson	Vice President
James H. Shelmire	Systems Analyst
Rick Cisco	Technical Support Manager

AUDIT DEPARTMENT

Russell H. Bauman	Auditor
Richard F. Hall	Assistant Vice President

ATHENS OFFICE

Terry R. Depew	Vice President
Phylis W. Callear	Assistant Vice President
Rita Y. Fisk	Assistant Cashier

DUSHORE OFFICE

Wayne E. Gavitt	Vice President
Bonnie Bennett	Assistant Cashier
Helen W. Ferris	Assistant Cashier
Katherine Leljedal	Assistant Cashier

EAST SMITHFIELD OFFICE

Peggy A. Brown	Assistant Vice President
Elaine F. Johnston	Assistant Vice President
Diane B. Elvidge	Assistant Cashier
Sandra J. McNeal	Assistant Cashier

ELKLAND OFFICE

Scott A. Keck	Assistant Vice President
Nancy L. Tubbs	Assistant Cashier
Patricia Marzo	Assistant Cashier

KNOXVILLE OFFICE

Torrance L. Boyles	Assistant Vice President
Mary Rose Sacks	Assistant Cashier

LAPORTE OFFICE

Randy R. Meckes	Assistant Vice President
Twila G. Starr	Assistant Cashier

LIBERTY OFFICE

Ann L. Yuscavage	Assistant Vice President
Joan M. Blackwell	Assistant Cashier

MONROETON OFFICE

Joan L. Grenell	Assistant Vice President

RALSTON OFFICE

Daniel P. Clark	Assistant Vice President

SAYRE OFFICE

Keith E. Ferguson	Vice President
Marcella Chaykosky	Assistant Cashier

TIOGA OFFICE

Jean L. Ward	Vice President
Lois C. Wood	Assistant Cashier

TOWANDA OFFICE

Larry D. Sharer	Vice President
Wilson S. Quiggle	Assistant Vice President
Julia A. Lindsey	Assistant Cashier
Charmaine Stempel	Assistant Cashier

TROY OFFICE

Brian L. Canfield	Vice President
David C. Schucker	Assistant Vice President
Janet R. Ordway	Assistant Cashier

WELLSBORO OFFICE

Richard L. Wilkinson	Vice President
Kim L. Miller	Assistant Vice President
Jan L. Southworth	Assistant Vice President

WYSOX OFFICE

Debra S. Kithcart	Assistant Vice President

CITIZENS & NORTHERN CORPORATION

Ralston, Pennsylvania

MEMBER
FEDERAL DEPOSIT INSURANCE CORP

CHARTERED 1864

CONSOLIDATED STATEMENT OF CONDITION
CONSOLIDATED STATEMENT OF EARNINGS

0 17278

92 14 7835

Q-35215

24

E92-2230

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

RECD S.E.C.
MAY 15 1992
143

[x] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from.............to................

Commission file number 0-15324

EYE TECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	52-1402131 (I.R.S.) Employer Identification No.)

1983 Sloan Place St. Paul, Minnesota (Address of principal executive offices)	55117 (Zip Code)

Registrant's telephone number, including area code (612) 774-9060

Not Applicable
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes __X__ No ______

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 24,791,032 shares of Common Stock, $.01 par value, as of May 14, 1992.

PROCESSED BY
MAY 18 1992

130

24/10:P

BEST COPY AVAILABLE

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

EYE TECHNOLOGY, INC. AND SUBSIDIARIES

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 1992

PART 1. FINANCIAL INFORMATION

The financial statements included herein have been prepared by Eye Technology, Inc. (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information normally included in the financial statements prepared in accordance with generally accepted accounting principles has been omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that the financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the fiscal year ended December 31, 1991, as filed with the Securities and Exchange Commission.

Eye Technology, Inc.

CONSOLIDATED BALANCE SHEETS

ASSETS	March 31, 1992	December 31, 1991
	(Unaudited)	
Current Assets:		
Cash	$ 12,971	$ 159,782
Accounts receivable, net of allowance for doubtful accounts of $147,000 and $156,000	816,507	662,683
Inventory (Note 2)	1,008,386	1,048,439
Prepaid expenses and other	60,321	35,929
Total Current Assets	1,898,185	1,906,833
Property and Equipment, at cost:		
Machinery and equipment	635,063	616,763
Furniture and fixtures	213,670	210,040
Leasehold improvements	39,838	39,838
	888,571	866,641
Less accumulated depreciation and amortization	(607,433)	(588,744)
Total Property and Equipment	281,138	277,897
Other Assets:		
Long-term notes receivable	205,717	197,171
Other	49,666	27,308
Total Other Assets	255,383	224,479
	$2,434,706	$2,409,209

The accompanying notes are an integral part of these consolidated balance sheets.

Eye Technology, Inc.

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' DEFICIT	March 31, 1992	December 31, 1991
	(Unaudited)	
Current Liabilities:		
Notes payable	$ 104,300	$ 110,033
Current portion of long-term debt	117,251	109,877
Current portion of debentures payable (Note 3)	25,000	60,000
Accounts payable	333,624	357,850
Accrued liabilities:		
Professional	273,098	263,334
Compensation	286,651	287,135
Commissions	269,748	298,509
Other	188,942	151,294
Deferred revenue	106,360	174,246
Total Current Liabilities	1,704,974	1,812,278
Long-Term Debt, net of current portion shown above	746,212	898,576
Notes Payable to Related Parties	520,069	630,578
10% Debenture Payable (Note 3)	25,000	-
Stockholders' Deficit:		
Common stock, $.01 par value-35,000,000 shares authorized 24,765,084 and 23,583,684 issued and outstanding	247,910	235,838
Additional paid-in capital	7,893,229	7,621,384
Deferred compensation	(31,458)	(35,000)
Accumulated deficit	(8,671,230)	(8,754,445)
Total Stockholders' Deficit	(561,549)	(932,223)
	$2,434,706	$2,409,209

The accompanying notes are an integral part of these consolidated financial statements.

Eye Technology, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Net Sales	$ 1,579,267	$ 950,756
Cost of Goods Sold	426,427	237,140
Gross Profit	1,152,840	713,616
Operating Expenses:		
Selling and marketing	616,720	348,960
General and administrative	399,551	317,390
Product development	30,321	55,089
	1,046,592	721,439
Income (Loss) from Operations	106,248	(7,823)
Other (Income) Expense:		
Interest expense, net	21,909	25,139
Other	1,124	664
	23,033	25,803
Net Income (Loss)	$ 83,215	$ (33,626)
Net Income (Loss) Per Share	$ .00	$ (.00)
Weighted Average Shares Outstanding	23,842,975	22,376,733

The accompanying notes are an integral part of these consolidated financial statements.

Eye Technology, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Cash Flows from Operating Activities:		
Net Income (Loss)	$ 83,215	$ (33,626)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	26,873	27,088
Change in current operating items:		
Accounts receivable	(153,824)	64,493
Inventory	40,053	(39,202)
Prepaid and other assets	(24,392)	(2,430)
Accounts payable and accrued liabilities	31,434	(68,403)
Deferred revenue	(67,886)	(5,153)
Net Cash Provided (Used) by Operating Activities	(64,527)	(57,233)
Cash Flows from Investing Activities:		
Capital expenditures	(21,930)	-
Change in other assets	(27,000)	-
Issuance of notes receivable	(8,546)	(7,442)
Net Cash Provided (Used) by Investing Activities	(57,476)	(7,442)
Cash Flows from Financing Activities:		
Proceeds from issuance of common stock	-	10,000
Proceeds from borrowings	68,300	-
Repayment of debt	(93,108)	(4,003)
Net Cash Provided (Used) by Financing Activities	(24,808)	5,997
Increase (Decrease) in Cash	(146,811)	(58,678)
Cash, at beginning of period	159,782	62,364
Cash, at end of period	$ 12,971	$ 3,686
Cash was disbursed for:		
Interest	$ 25,451	$ 21,353

The accompanying notes are an integral part of these consolidated financial statements.

EYE TECHNOLOGY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary for the fair presentation of results for the interim period. The Company has consistently followed the accounting policies set forth in the notes to financial statements dated December 31, 1991.

The results of operations for the three months ended March 31, 1992 are not necessarily indicative of the results to be expected for the full year.

NOTE 2

Inventory is stated at the lower of cost (first-in, first-out) or market. Inventory includes materials, labor, and manufacturing overhead and is summarized as follows:

	March 31, 1992	December 31, 1991
Raw materials	$ 22,105	$ 25,261
Work in process	229,258	236,948
Finished goods	757,023	786,230
	$ 1,008,386	$ 1,048,439

NOTE 3

In February 1992, the Company raised $50,000 through the issuance of a 10% debenture convertible into shares of the Company's common stock at an exchange price of $.25 per share. Interest and principal on the debenture are payable quarterly and the debenture matures in February 1994.

NOTE 4

The Company had the following non-cash transactions during the three month period ended March 31, 1992:

Issuance of common stock in satisfaction of debt	$ 245,587
Issuance of common stock in relief of accrued liabilities	6,250
Present value of capital lease payment to purchase equipment	18,300

Management's Discussion and Analysis of Financial Condition and Results of Operation

Results of Operations

Net sales for the quarter ended March 31, 1992 were $1,579,267, an increase of $628,511 (66%) over sales of $950,756 for the quarter ended March 31, 1991. In the quarter ended March 31, 1992, 86% of the Company's sales were in the domestic market and 14% were in the international market. This compares to a market mix of 89% domestic sales and 11% international sales for the quarter ended March 31, 1991.

Sales to domestic customers during the first three months of 1992 increased 57% over sales to domestic customers for the first three months of 1991, despite an 11% decrease in the average selling price. The Company attributes its increase in unit sales to increased product recognition and acceptance in the marketplace brought about by continued expansion of the Company's sales force and the existence of a premarket approved product line which includes a series of lenses for small incision surgery. Since March 1991, the Company's sales coverage in the domestic market has increased from 25% to 35%.

Sales to international customers during the quarter ended March 31, 1992 increased 17% over the quarter ended March 31, 1991. The increase in international sales was due to the addition of several new distributors in mid 1991 and an increase in sales from existing distributors. During the first quarter of 1992, the Company also generated incremental sales from a manufacturing and sales agreement with a foreign customer.

Sales and marketing expenses as a percentage of net sales increased two percent compared to the first quarter of 1991. The increase was directly related to costs incurred in expanding the Company's domestic sales force. General and administrative expenses for the quarter ended March 31, 1992 increased eight percent when compared to the first three months of 1991 due primarily to activities related to the increased sales volume. Product development costs for the quarter ended March 31, 1992 decreased by 45% when compared to the quarter ended March 31, 1991 due to completion of the clinical studies performed on the Company's existing product line.

Liquidity and Capital Resources

Cash flows from product sales were not sufficient to cover operating expenses during the quarter ended March 31, 1992. This was largely due to the recording of $67,886 of revenues that were deferred in prior periods. Management believes, based on recent sales trends, that cash flows from operations will improve over the next few months to a level sufficient to meet operating requirements throughout 1992. During the quarter ended March 31, 1992 the Company raised $50,000 through the issuance of a 10% debenture which is convertible into shares of the Company's common stock at a conversion price of $.25 per share.

The Company had a cash balance of $12,971 at March 31, 1992. This compares to a cash balance of $159,782 at December 31, 1991. The decrease was a result of the Company repaying the 12% convertible debentures due in January 1992 and other debt totaling $93,108. The Company's capital expenditures included initial investments in a new telephone system and a new computerized management information system which is designed to handle all accounting, regulatory and inventory functions. These investments will enhance the Company's ability to manage its current and anticipated rate of growth more efficiently and effectively. In addition, the Company invested $25,000 in new technology that it believes will generate future revenues.

Working capital at March 31, 1992 was $193,211 compared to working capital at December 31, 1991 of $94,555, an increase of $98,656. The increase in working capital between December 31, 1991 and March 31, 1992 was largely due to a 23% percent increase in accounts receivable due to a corresponding increase in sales.

The Company's note payable in the amount of $700,000 is due April 1993. Management's current projections indicate that there will not be sufficient cash flow from operations to fund this obligation. However, management is currently developing a plan for alternative financing to meet this obligation.

In March 1992 certain long-term obligations were converted to Common Stock at a price of $.25 per share resulting in a decrease in long-term obligations and an increase in stated and paid-in capital of $245,587. The conversion of these obligations to common stock coupled with net income of $83,215 for the quarter ended March 31, 1992 reduced the stockholder's deficit from $932,223 at December 31, 1991 to a deficit of $561,549 at March 31, 1992.

PART II. OTHER INFORMATION

Item 5. Other Information

Not applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are attached hereto:

(1). Eye Technology, Inc. Amended 1985 Incentive Stock Option Plan
(2). Form of Stock Option Agreement

(b). No reports on Form 8-K have been filed during the period for which this report is filed.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused the Report to be signed on its behalf by the undersigned thereunto duly authorized.

EYE TECHNOLOGY, INC.

Date: May 14, 1992

By: /s/
Robert J. Fitzsimmons
President

/s/
John C. Winter
Principal Financial Officer

EYE TECHNOLOGY, INC.

1985 INCENTIVE STOCK OPTION PLAN

1. Purpose of the Plan. This Stock Option Plan (herein after called the "Plan") is intended to encourage ownership of stock of Eye Technology, Inc. (hereinafter called the "Corporation") by key employees of the Corporation and its subsidiaries and to provide additional incentive for them to promote the success of the business.

2. Stock Subject to the Plan. There will be reserved for use upon the exercise of options to be granted from time to time under the Plan (hereinafter called "Options") an aggregate of 2,000,000 shares (subject to adjustment as provided in paragraph 12 hereof) of the common stock, $.01 par value (hereinafter called the "Common Stock"), of the Corporation. The shares reserved for use hereunder may be reserved in whole or in part, as the Board of Directors of the Corporation (hereinafter called the "Board of Directors") shall from time to time determine, from the authorized but unissued shares of the Common Stock or the issued shares of the Common Stock which shall have been reacquired by the Corporation. If an Option shall expire or terminate for any reason without having been exercised in full, the unpurchased shares covered thereby shall (unless the Plan shall have been terminated) be added to the shares otherwise available for Options which may be granted in accordance with the terms of this Plan.

3. Administration of the Plan. The Board of Directors shall appoint a Stock Option Committee (hereinafter called the "Committee"), which shall consist of not less than two members of the Board of Directors each of whom shall be a "disinterested person" as that term is defined in Rule 16b-3(c) of the Securities Exchange Act of 1934, as amended. Subject to the provisions of the Plan, the Committee shall have plenary authority in its discretion to determine the employees of the Corporation and its subsidiaries to whom Options shall be granted, the number of shares to be covered by each of the Options, the time or times at which Options shall be granted, and the exercise price of the shares of Common Stock covered by each Option which price shall not be less than the minimum specified in paragraph 6; to interpret the Plan; and to prescribe, amend and rescind rules and regulations relating to it. The Board of Directors may from time to time appoint members of the Committee in substitution for or in addition to members previously appointed and may fill vacancies, however caused, in the Committee. The Committee shall hold its meetings at such times and places as it shall deem advisable. A majority of its members shall constitute a quorum. All action of the Committee shall be taken by a majority of its members or by all members if less than three. Any action may be taken by a written instrument signed by a majority of the members (or by all members if less than three) and action so taken shall

be fully as effective as if it had been taken by a vote of a majority of the members at a meeting duly called and held. The Committee may appoint a secretary, may keep minutes of its meetings, and may make such rules and regulations for the conduct of its business as it shall deem advisable, or may act informally and report its actions to the Board of Directors at meetings of the Board of Directors.

4. Employees to whom Options may be granted. Options may be granted at any time or times during the continuance of the Plan to any employee of the Corporation or one or more of its subsidiaries including, without limitation, officers and directors of the Corporation, which employees, in the judgment of the Committee, occupy a key position with the Corporation or its subsidiaries. Subject to the provisions of paragraph 13, no individual shall be granted an Option or Options, first exercisable during any single calendar year, for the purchase or shares of Common Stock having an aggregate fair market value in excess of One Hundred Thousand ($100,000) Dollars, which value shall be determined at the time of grant of such Option or Options.

5. Factors to be considered in granting Options. In making any determination as to employees to whom Options shall be granted and as to the number of shares to be covered by such Options, the Committee shall take into account the duties of the respective employees, their present and potential contributions to the success of the Corporation, and such other factors as the Committee shall deem relevant in connection with accomplishing the purpose of the Plan.

6. Option Prices. The exercise price of the shares of the Common Stock which shall be covered by each Option shall be determined by the Committee but shall be not less than 100% of the fair market value of the Common Stock at the time of granting the Option; provided however, that if one or more Options are granted to an employee who, at the time of the grant, owns more than ten (10%) percent of the total voting power of all classes of stock of the Corporation, the exercise price shall be not less than 110% of said fair market value. Such fair market value shall be determined by the Committee; provided, however, that if the Common Stock is quoted in the over-the-counter market at the date of grant, the fair market value shall be the mean of the bid and asked prices of the Common Stock quoted by a recognized dealer in the Common Stock at the close of the trading day next preceding the grant of the Option; and further provided that if the Common Stock is then listed on any national exchange, fair market value shall be the mean between the high and low sales price on the date next preceding the grant of the Option on which stock of the Corporation was traded. In the event no active public market exists for the Common Stock, the fair market value of all shares shall be determined in good faith in accordance with the terms of the Plan.

7. Term of Options. The term of each Option shall be five years from the date of granting thereof, but shall be subject to earlier termination as hereinafter provided. In the case of Options granted hereunder to a person who does not own more than ten (10%) percent of the voting power of the shares of Common Stock of the Corporation, the term of such Option may be, but need not be, increased to any integral number of years from six to ten by the Committee in its absolute discretion, but in no case may such term be longer than ten years. In the case of Options granted hereunder to a person who owns more than ten (10%) percent of the voting power of the shares of Common Stock of the Corporation, the period for exercising each Option shall not exceed five (5) years from the date the Option is granted.

8. Exercise of Options. An Option must be held by an optionee and remain unexercised for at least six (6) months from the date of its grant and then may be exercised during the first year from the date of grant as to not more than 25% of the number of shares subject thereto at the date of grant thereof; during the second year from the date of grant as to not more than an additional 25% of the number of shares subject thereto at the date of grant thereof plus the number of shares with respect to which the Option was exercisable, but not exercised theretofore; during the third year from the date of grant as to not more than an additional 25% of the number of shares subject thereto at the date of grant thereof plus the number of shares with respect to which the Option was exercisable, but not exercised theretofore; and during the fourth year from the date of grant or thereafter if the term of said Option is greater than four years, the Option may be exercised at any time and from time to time, within its terms, in whole or in part. The exercise price of the shares as to which an Option shall be exercised shall be paid in full in cash or by check made payable to the Corporation at the time of exercise. Except as provided in paragraph 11 hereof, an Option may not be exercised at any time unless the holder thereof shall have been in the continuous employ of the Corporation or of one or more of its subsidiaries, or of the Corporation and one or more of its subsidiaries, from the date of granting of the Option to the date of its exercise. The holder of an Option shall not have any of the rights of a stockholder with respect to the shares covered by his Option, except when one or more certificates for such shares shall be delivered to him upon the due exercise of the Option.

An optionee wishing to exercise an Option shall give written notice to the Corporation, stating the number of shares with respect to which the Option is being exercised, accompanied by payment in full by cash or certified check for such shares. At such time, an optionee shall also deliver the stock option agreement referred to in paragraph 18 hereof to the Corporation for action by the Corporation to reduce the number of shares to which it applies. Upon such exercise, delivery of a certificate for paid-up non-assessable shares shall be made at the

Corporation's executive offices to the person or persons exercising the Option at such time, during ordinary business hours, or at such time, place and manner as may be agreed upon by the Corporation and the person and persons exercising the Option.

9. Non-transferability of Options. An Option shall not be transferable otherwise than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act or the rules thereunder. The designation of a beneficiary by an employee of the Corporation shall not constitute a transfer. An Option may be exercised, during the lifetime of the employee, only by such employee.

10. Other Terms and Conditions. The Committee shall have the power, subject to the limitations contained herein, to fix any terms and conditions for the grant or exercise of Options under this Plan, except that no action can be taken, without the consent of an optionee, which would prevent the Options issued under this Plan from being Incentive Stock Options under Section 422 of the Code. Nothing contained in this Plan, or in any stock option agreement shall confer upon any optionee any right to continued employment by the Corporation or a subsidiary of the Corporation, nor limit in any way the right of the Corporation or a subsidiary of the Corporation to terminate his employment at any time.

11. Effect of Termination of Employment, Death or Disability.

(a) In the event of the termination of employment of an optionee by reason of either a discharge for cause or voluntary separation on the part of the optionee and without the consent of the Corporation or any subsidiary, any Option or Options theretofore granted to such optionee under this Plan, to the extent not theretofore exercised by him or expired, shall forthwith terminate. Such optionee shall forfeit all rights in any Options not previously exercised.

(b) In the event of the termination of employment of an optionee by the Corporation without cause (other than by reason of death, disability or retirement of the optionee at his Retirement Date), any Option or Options granted to such optionee under this Plan, to the extent not theretofore exercised by him or expired, shall be exercisable within three (3) months after such termination of employment.

(c) In the event of the termination of employment of an optionee by reason of the optionee's retirement at his Retirement Date, any Option or Options granted to him under this Plan and not theretofore exercised by him or expired by him shall be exercisable by him within three (3) months after such termination. For purposes of this Plan, "Retirement Date" shall mean the date an optionee retires on or after age sixty-five (65).

(d) In the event an optionee shall die while employed by the corporation or any subsidiary, any Option or Options granted to such optionee under this Plan, to the extent not theretofore exercised by him or expired, shall be exercisable by a legatee or legatees of the optionee under his last will, or by his personal representative, within six (6) months after the death of the optionee.

(e) In the event of the termination of employment of an optionee by reason of the optionee's disability, the optionee shall have the right to exercise all Options held by him, to the extent not theretofore exercised by him or expired, and said Options shall be exercisable by him within one (1) year after such termination of employment. The term "disability" shall, for purposes of this Plan, be defined in the same manner as such term as defined in Section 22(e)(3) of the Code.

12. Adjustments Upon Changes in Capitalization. In the event of changes in the outstanding Common Stock of the Corporation by reason of stock dividends in excess of five (5%) percent in any fiscal year of the Corporation, split-ups, spin-offs, recapitalizations, mergers, consolidations, reorganizations, separations, or liquidations, the number of shares of Common Stock then covered by each outstanding Option granted hereunder shall be adjusted as follows. In the event that the number of shares of Common Stock of the Corporation from time to time issued and outstanding are increased, the number of shares of Common Stock then covered by each outstanding Option granted hereunder shall be increased proportionately with no increase in the total exercise price of the shares then so covered, and the number of shares of Common Stock reserved for the purposes of the Plan shall be increased by the same proportion. In the event that the number of shares of Common Stock of the Corporation from time to time issued and outstanding are reduced, the number of shares of Common Stock then covered by each outstanding Option granted hereunder shall be reduced proportionately with no reduction in the total exercise price of the shares then so covered and the number of shares of Common Stock reserved for the purposes of the Plan shall be reduced by the same proportion. The Corporation shall give notice of such adjustments to each optionee. All such adjustments shall be made by the Committee, whose determination shall be final and binding upon the optionee. No fractional shares shall be issued and any fractional shares resulting from the computations pursuant to this section shall be eliminated from the respective Option. No adjustments shall be made for cash dividends or the issuance to stockholders with rights to subscribe to additional Common Stock or other securities.

13. Exercise of Options Upon Occurrence of Certain Corporate Events. In the event of the proposed dissolution or liquidation of the Corporation, or in the event of the proposed sale of all of the stock or substantially all of the assets of the Corporation, the Committee may, in its sole discretion, declare that each Option granted under this Plan shall terminate as of a date to be fixed by the Committee. Adequate notice of the date so fixed shall be given to each optionee and in such notice each optionee shall be afforded the right, for a specified period of time, to exercise his Option or Options as to all or any part of the shares of Common Stock, to the extent not theretofore exercised by him or expired, excluding shares as to which such Option or Options would not otherwise be exercisable.

14. Effectiveness of the Plan. The Plan shall become effective on such date as the Board of Directors shall determine, so long as the voting stockholders of the Corporation shall, by the affirmative vote of a majority in interest, have approved the Plan within 12 months of the adopting the Plan by the Board of Directors.

15. Time of granting Options. Neither anything contained in the Plan or in any resolution adopted or to be adopted by the Board of Directors or the stockholders of the Corporation nor any action taken by the Committee shall constitute the granting of any Option. The granting of an Option shall take place only when a written Option agreement substantially in the form of the Option agreement which is attached hereto shall have been duly executed and delivered by or on behalf of the Corporation and the employee to whom such Option shall be granted.

16. Modification or Amendment of Plan. The Committee may at any time and from time to time modify or amend the Plan (including such form of Stock Option Agreement) in such respects as it shall deem advisable in order that the Options shall be Incentive Stock Options as defined in Section 422 of the Code or to conform to any other change in the law, or in any other respect which shall not change: a) the maximum number of shares as to which Options may be granted under the Plan, b) the Option price for such shares, other than to change the manner of determining the fair market value of shares of the Common Stock for purposes of paragraph 6 hereof to conform with any applicable provisions of the Code or regulations thereunder, c) the periods during which Options may be granted or exercised, d) the provisions relating to the determination of employees to whom Options shall be granted, or e) the provisions relating to adjustments to be made upon changes in capitalization. Any modification or amendment of the Plan shall not, without the consent of an optionee, affect his rights under the stock option agreement theretofore granted to him.

17. Termination of Plan. The Plan shall terminate ten (10) years from the effective date of the Plan or upon a decision by the Board of Directors to terminate the Plan, whichever is earlier. Options may be granted under this Plan at any time and from time to time prior to its termination. Subject to paragraph 13 hereof, any Option outstanding under this Plan at the time of Plan termination shall remain in effect until such Option shall have been exercised or shall have expired.

18. Stock Option Agreement. All Options granted pursuant to the Plan shall be evidenced by a written stock option agreement (the "Agreement") duly executed by the Corporation and the employee to whom the Option has been granted. The Agreement shall be in the form attached hereto as Exhibit A. The terms and conditions of the Agreement are hereby incorporated in the Plan by reference thereto. In the event an employee to whom an Option has been granted hereunder fails to execute and deliver to the Corporation the Agreement the Committee may, at its election, declare the grant of such Option to be null and void, and of no further force and effect, in which event such election shall be communicated to the person to whom such Option has been granted.

19. Expenses of the Plan. All costs and expenses of the adoption and administration of the Plan shall be borne by the Corporation, and none of such expenses shall be charged to any optionee.

20. Withholding Tax. The Corporation shall be entitled, if necessary or desirable, to withhold (or secure payment from the optionee in lieu of withholding) the amount of any withholding or other tax due from the Corporation for any amount payable and/or shares issuable under this Plan, and the Corporation may defer payment or issuance unless indemnified to its satisfaction.

NAME:

EYE TECHNOLOGY, INC.

STOCK OPTION

OPTION AGREEMENT made this _____ day of _______, 19__ between Eye Technology, Inc., a Delaware corporation (hereinafter called the Corporation), and the employee named below, an employee of the Corporation or one or more of its subsidiaries (hereinafter called the Employee).

WHEREAS, the Corporation desires, by affording the Employee an opportunity to purchase ______ shares of its Common Stock, $.01 par value (hereinafter called the Common Stock), as hereinafter provided, to carry out the purpose of the Incentive Stock Option Plan of the Corporation, adopted July 11, 1985.

WHEREAS, it is the intent of the parties hereto that the Option granted under this Option Agreement qualify as an "Incentive Stock Option" under Section 422 of the Internal Revenue Code of 1986, as amended (hereinafter called the "Code");

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other goods and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the parties hereto have agreed, and do hereby agree as follows:

1. Grant of Option. The Corporation hereby grants to the Employee the right and option (hereinafter called the "Option") to purchase all or any part of an aggregate of _____ shares of the Common Stock (such number being subject to adjustment as provided in paragraph 7 hereof) on the terms and conditions herein set forth.

2. Purchase Price. The purchase price of the shares of the Common Stock covered by the Option shall be $___ per share.

3. Term of Option. The term of the Option shall be for a period of five years from the date hereof, subject to earlier termination as provided in paragraphs 5 and 6 hereof. This Option may be exercised during the first year from the date of grant as to not more than 25% of the number of shares subject thereto at the date hereof; during the second year from the date of grant as to not more than an additional 25% of the number of shares subject thereto at the date hereof plus the number of shares with respect

to which the Option was exercisable but not exercised theretofore; during the third year from the date of grant as to not more than an additional 25% of the number of shares subject thereto at the date hereof plus the number of shares with respect to which the Option was exercisable but not exercised theretofore; and during the fourth year (and thereafter if the term of this Option is greater than four years) this Option may be exercised at any time and from time to time, within its terms, in whole or in part. The purchase price of the shares as to which the Option shall be exercised shall be paid in full in cash at the times of exercise. Except as provided in paragraphs 5 and 6 hereof, the Option may not be exercised at any time unless the Employee shall have been in the continuous employ of the Corporation or one or more of its subsidiaries, or of the Corporation and one or more of its subsidiaries, from the date hereof to the date of the exercise of the Option.

This Option is issued subject to the condition, and every holder hereof by accepting the same agrees with the Corporation, that this Option has been acquired for the purpose of investment and not with a view to or for sale in connection with any distribution thereof.

The Board of Directors of the Corporation may, in its discretion, require as conditions to the right to exercise this Option that (a) a Registration Statement under the Securities Act of 1933, as amended, shall be in effect and current with respect to the shares issuable upon exercise of this Option, or (b) the Employee (and any other person in whose name, as joint tenant with the Employee, are registered the certificate or certificates representing the shares being purchased on exercise hereof) has given to the Corporation prior to the purchase of any shares pursuant hereto, assurances satisfactory to it that such shares are being purchased for the purpose of investment and not with a view to or for sale in connection with any distribution thereof, including without limitation, a written agreement of the Employee (and any other person in whose name, as joint tenant with the Employee, are registered the certificate or certificates representing the shares being purchased on exercise hereof) that the share will not be transferred unless registered under the Securities Act of 1933, as amended, or unless counsel for the Corporation gives a written opinion that such transfer is permissible under Federal and State law without registration. Unless a Registration Statement shall be in effect as aforesaid, each certificate representing the shares shall be restrictively endorsed as set forth above.

Nothing herein contained shall be deemed to require the Corporation to register, under Federal or any State law, this Option or any shares issued hereunder.

4. Non-transferability. The Option shall not be transferable otherwise than by will or the laws of descent and distribution, and the Option may be exercised, during the lifetime of the Employee, only by the Employee. More particularly (but without limiting the generality of the foregoing), the Option may not be assigned, transferred (except as provided above), pledged, or hypothecated in any way, shall not be assignable by operation of law and shall not be subject to execution, attachment, or similar process. Any attempted assignment, transfer, pledge, hypothecation, or other disposition of the Option contrary to the provisions hereof, and the levy of any execution, attachment, or similar process upon the Option shall be null and void and without effect.

5. Effect of Termination of Employment, Death or Disability.

(a) In the event of the termination of employment of the Employee by reason of either a discharge for cause, or voluntary separation on the part of the Employee and without the consent of the Corporation or any subsidiary, the Option theretofore granted to such Employee, to the extent not theretofore exercised or expired, shall forthwith terminate. The Employee shall forfeit all rights in any Option not previously exercised.

(b) In the event of the termination of employment of the Employee by the Corporation without cause (other than by reason of death, disability or retirement of the Employee at his Retirement Date), any Option granted to the Employee, to the extent not theretofore exercised by him or expired, shall be exercisable within three (3) months after such termination of employment.

(c) In the event of the termination of employment of the Employee by reason of the Employee's retirement at his Retirement Date, the Option granted to him under this Agreement and not theretofore exercised by him or expired shall be exercisable by him within three (3) months after such termination. For purposes of this Agreement, "Retirement Date" shall mean the date the Employee retires from the Corporation on or after age sixty-five (65).

(d) In the event the Employee shall die while employed by the Corporation or any subsidiary, the Option granted to the Employee under this Agreement, to the extent not theretofore exercised by him or expired, shall be exercisable by a legatee or legatees of the Employee under his last will, or by his personal representative, within one (1) year after the death of the Employee.

(e) In the event of the termination of employment of the Employee by reason of the Employee's "disability", the Employee shall have the right to exercise the Option held by him, to the extent not theretofore exercised by him or expired, within one (1) year after such termination of employment. The term "disability" shall, for purposes of this Agreement, be defined in the same manner as such term is defined in Section 22(e)(3) of the Code.

6. Adjustments Upon Changes in Capitalization. In the event of changes in the outstanding Common Stock of the Corporation by reason of stock dividends in excess of five (5%) percent in any fiscal year of the Corporation, split-ups, spin-offs, recapitalizations, mergers, consolidations, reorganizations, separations, or liquidations, the number of shares of common stock then covered by the Option shall be adjusted as follows. In the event that the number of shares of Common Stock of the Corporation from time to time issued and outstanding are increased, the number of shares of Common Stock then covered by the Option granted under this Agreement shall be increased proportionately with no increase in the total purchase price of the shares then so covered. In the event that the number of shares of Common Stock of the Corporation from time to time issued and outstanding are reduced, the number of shares of Common Stock then covered by the Option granted under this Agreement shall be reduced proportionately with no reduction in the total purchase price of the shares then so covered. The Employee shall be entitled to receive notice of any such adjustments. No fractional shares shall be issued and any fractional shares resulting from computations pursuant to this paragraph shall be eliminated from the respective Option. No adjustments shall be made for cash dividends or the issuance to stockholders with rights to subscribe to additional Common Stock or other securities.

7. Successive Options. Any employee holding two or more options that are partially or wholly exercisable at the same time may exercise said options (to the extent they are then exercisable) in any order the Employee chooses, regardless of the order in which said options were granted.

8. Method of Exercising Option. Subject to the terms and conditions of this Option Agreement, the Option may be exercised by written notice to the Corporation, at 1983 Sloan Place, St. Paul, Minnesota 55117. Such notice shall state the election to exercise the Option and the number of shares in respect of which it is being exercised, and shall be signed by the person or persons so exercising the Option. At that time, this Option Agreement shall be turned in to the Corporation for action by the Corporation to reduce the number of shares to which it applies.

Such notice shall either: (a) be accompanied by payment of the full purchase price of such shares, in which event the Corporation shall deliver a certificate or certificates representing such shares as soon as practicable after notice shall be received; or (b) fix a date (not less than five nor more than ten business days from the date such notice shall be received by the Corporation) for the payment of the full purchase price of such shares against delivery of a certificate or certificates representing such shares. Payment of such purchase price shall, in either case, be made by cash or by check payable to the order of the Corporation. The certificate or certificates for the shares as to which the Option shall have been so exercised shall be registered in the name of the person or persons so exercising the Option, (or, if the Option shall be exercised by the Employee and if the Employee shall so request in the notice exercising the Option, the certificate or certificates shall be registered in the name of the Employee and another person jointly, with the right of survivorship) and shall be delivered as provided above to or upon the written order of the person or persons exercising the Option. In the event the Option shall be exercised, pursuant to paragraph 6 hereof, by any person or persons other than the Employee, such notice shall be accompanied by appropriate proof of the right of such person or persons to exercise the Option.

9. General. The Corporation shall at all times during the term of the Option reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of this Option Agreement, shall pay all original issue taxes with respect to the issue of shares pursuant hereto and all other fees and expenses necessarily incurred by the Corporation in connection therewith, and will from time to time use its best efforts to comply with all laws and regulations which, in the opinion of counsel for the Corporation, shall be applicable thereto. The Corporation makes no representation or warrant that this Option or shares issued pursuant hereto qualify under any Federal or State law for any special tax treatment.

IN WITNESS WHEREOF, the Corporation has caused this Option Agreement to be duly executed by its officer thereunto duly authorized, and the Employee has hereunto set his hand and seal all on the day and year first above written.

EYE TECHNOLOGY, INC.

BY: ______________________________
Robert J. Fitzsimmons,
President

Corporate Seal

Attest:

______________________________(Optionee)

Address:

____
Samuel P. Sears, Jr.
Secretary

29858

92 14 5210

0-55237

13

F92-2230

MAY 15

FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission File Number 0-18832

First Federal Financial Corporation of Kentucky
(Exact Name of Registrant as specified in its charter)

Kentucky
(State or other jurisdiction
of incorporation or organization)

61-1168311
(IRS Employer Identification No.)

202 West Dixie Ave.
Elizabethtown, Kentucky 42701
(Address of principal executive offices)
(Zip Code)

(502)-765-2131
(Registrant's telephone number, including are

PROCESSED BY
12/12
MAY 18 1992 / 28
Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of April 30, 1992
Common Stock	1,071,600 shares

This document is comprised of 12 pages.

BEST COPY
AVAILABLE

FIRST FEDERAL FINANCIAL CORPORATION OF KENTUCKY

INDEX

PART I - FINANCIAL INFORMATION PAGE NUMBER

Item 1 - Financial Statements

Consolidated Statements of Financial Condition as of March 31, 1992 (unaudited) and June 30, 1991 3

Consolidated Statements of Operations for the Nine Months Ended March 31, 1992 and 1991. 4

Consolidated Statements of Stockholders' Equity for the Years Ended June 30, 1991 and 1990 and for the Nine Months Ended March 31, 1992 (unaudited). 5

Consolidated Statements of Cash Flows for the Nine Months Ended March 31, 1992 and 1991 (unaudited). 6

Notes to consolidated Financial Statements 7

Item 2 - Management's Discussion and Analysis of the Consolidated Statements of Financial Condition and Results of Operations 8

PART II - OTHER INFORMATION 11

SIGNATURES 12

FIRST FEDERAL FINANCIAL CORPORATION OF KENTUCKY

STATEMENT OF FINANCIAL CONDITION

	March 31, 1992 (unaudited)	June 30, 1991
ASSETS		
Cash	$ 4 380 586	$ 2,461,107
Interesting bearing deposits	13,723,870	8,015.241
Investment securities	4,529,028	4,412,610
Loans receivable, net	197,256,340	194,887,549
Real estate owned	171,039	117,452
Investment in Federal Home Loan Bank Stock	1,642,100	1,609,400
Premises and equipment	2,291,408	1,277,231
Other assets	982,868	579,126
Total Assets	$224,977,239	$213,359,716
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Savings deposits	$185,299,938	$176,051,979
Accrued interest payable	821,250	1,516,663
Accounts payable and other liabilities	894,964	343,387
Borrowed funds	583,797	757,041
Total Liabilities	$187,599,949	$178,669,070
Stockholders' Equity		
Serial preferred stock 5,000,000 shares authorized and unissued	-	-
Common stock, $1 par value per share; 10,000,000 shares authorized; 1,071,600 shares issued and outstanding	1,071,600	1,071,600
Additional paid-in capital	11,926,048	11,926,048
Employee stock ownership trust obligation	(583,797)	(757,041)
Retained earnings-substantially restricted	24,963,439	22,450,039
Total Stockholders' Equity	$ 37,377,290	34,690,646
Total Stockholders' Equity & Liabilities	$224,977,239	$213,359,716
Book Value	$ 34.88	$ 32.37

FIRST FEDERAL FINANCIAL CORPORATION OF KENTUCKY

CONSOLIDATED STATEMENTS OF EARNINGS

	Three Months Ended March 31		Nine Months Ended March 31	
	1992 (Unaudited)	1991	1992 (Unaudited)	1991
Interest income:				
Interest on loans	$4,918,220	$4,862,423	$14,836,122	$14,472,31
Interest and dividends on investments and deposits	226,910	216,061	704,298	698,43
Total interest income	$5,145,130	$5,078,484	$15,540,420	$15,170,74
Interest expense:				
Savings deposits	2,647,759	3,127,748	8,464,636	9,380,96
Total interest expense	$2,647,759	$3,127,748	$ 8,464,636	$ 9,380,96
Net interest income	2,497,371	1,950,736	7,075,784	5,789,78
Provision for loan losses	100,000	52,000	315,412	172,00
Net interest income after provision for loan loss	$2,397,371	$1,898,736	$ 6,760,372	$ 5,617,78
Other Income:				
Real estate operations, net	446	4,647	3,331	4,16
Other income	277,152	151,638	671,147	507,51
Gain of Sale of Fixed Asset	-	-	614,345	-
Total other income	$ 276,706	$ 156,285	$ 1,282,161	$ 511,67
Other expense:				
Employee compensation and benefits	387,974	363,537	1,170,713	1,095,72
Occupancy expense	104,270	77,351	288,625	227,67
Federal insurance premium	98,325	90,985	287,067	245,77
Other expense	413,652	327,632	1,216,425	1,052,11
Total other expense	$1,004,221	$ 859,505	$ 2,962,830	$ 2,621,29
Income before taxes	1,669,856	1,195,516	5,079,703	3,508,16
Income taxes	610,240	392,821	1,682,231	1,192,66
Net income	$1,059,616	$ 802,695	$ 3,397,472	$ 2,315,50
Net income per share of common stock	$ 0.99	$ 0.75	$ 3.17	$ 2.1

First Federal Financial Corporation of Kentucky

Consolidated Statements of Stockholders' Equity

	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Employee Stock Ownership Trust Obligation	Total
Balance July 1, 1988	1,058,000	$1,058,000	$11,769,648	$16,518,115	($1,164,930)	$28,180,833
Net earnings	-	-	-	2,853,686	-	2,853,686
Principal repayments on ESOP loan	-	-	-	-	95,267	95,267
Common stock proceeds	1,600	1,600	18,400	-	-	20,000
Cash dividends declared	-	-	-	(1,059,600)	-	(1,059,600)
Balance June 30, 1989	1,059,600	$1,059,600	$11,788,048	$18,312,201	$(1,069,663)	$30,090,186
Net earnings	-	-	-	3,084,929	-	3,084,929
Principal repayments on ESOP loan	-	-	-	-	171,711	171,711
Common stock proceeds	4,000	4,000	46,000	-	-	50,000
Cash dividends declared	-	-	-	(1,063,600)	-	(1,063,600)
Balance June 30, 1990	1,063,600	$1,063,600	$11,834,048	$20,333,530	($897,952)	$32,333,226
Net earnings	-	-	-	3,295,269	-	3,295,269
Principal repayments on ESOP loan	-	-	-	-	140,911	140,911
Exercise of stock options	8,000	8,000	92,000			100,000
Cash dividends declared				(1,178,760)		(1,178,760)
Balance June 30, 1991	1,071,600	$1,071,600	$11,926,048	$22,450,039	($757,041)	$34,690,646
Net earnings				3,397,472		3,397,472
Principal repayments on ESOP loan					173,244	173,244
Cash dividends declared				(884,072)		(884,072)
Balance March 31, 1992	1,071,600	$1,071,600	$11,926,048	$24,963,439	($583,797)	$37,377,290

See notes to consolidated financial statements

FIRST FEDERAL FINANCIAL CORPORATION OF KENTUCKY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended	
	March 31, 1992	March 31, 1991
Operating Activities:		
Net income	$ 3,397,472	$ 2,135,504
Adjustments to reconcile net income to net Cash provided by operating activities:		
Provision for loan losses and real estate owned	315,412	172,000
Provision for depreciation	74,567	102,461
Amortization of deferred loan fees	(96,513)	(34,047)
Increase (Decrease) in interest payable	(695,413)	(575,258)
Decrease in other assets	(403,742)	292,078
Increase (Decrease) in accounts payable and other liabilities	551,577	(84,734)
Net cash provided by operating activities	$ 3,143,360	$ 2,177,472
Investing Activities:		
Purchases of investment securities	(115,865)	(14,175)
Principal collected on loans	49,556,095	22,225,196
Loans originated	(52,384,803)	(31,800,855)
Purchases of premises and equipment	(1,088,744)	(108,589)
Purchases of Federal Home Loan Bank stock	(32,700)	(81,700)
Sales of real estate acquired in settlement of loans	186,878	512,635
Net cash used by investing activities	(3,879,139)	(9,267,488)
Financing Activities:		
Net increase (decrease) in demand deposits, NOW accounts, and savings accounts	6,175,547	(159,489)
Proceeds from sales of certificates of deposits	42,697,367	48,556,799
Payments for maturing certificates of deposit	(39,624,955)	(39,564,916)
Dividends Paid	(884,072)	
Net cash provided by financing activities	8,363,887	9,151,372
Increase (decrease) in cash equivalents	7,628,108	(2,061,356)
Cash and cash equivalents at beginning of year	10,476,348	12,118,735
Cash and cash equivalent at end of period	$ 18,104,456	$ 14,480,091

See accompanying notes to consolidated financial statements

FIRST FEDERAL FINANCIAL CORPORATION OF KENTUCKY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1992
(UNAUDITED)

(1) Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of Management of First Federal Financial Corporation of Kentucky, the consolidated financial statements reflect all adjustments necessary to present fairly its consolidated financial position as of March 31, 1992 and June 30, 1991 and the consolidated results of operations and cash flows for the nine month period ended March 31, 1992 and 1991.

(2) Principles of Consolidation

The consolidated financial statements include the accounts of the corporation and its wholly-owned subsidiary, First Federal Savings Bank. All significant intercompany transactions and balances have been eliminated.

(3) Earnings per share

Net income per share of common stock is computed by dividing net income for the period by 1,071,600, the number of shares of common stock issued and outstanding for the period. Common stock equivalents have not been used in computing net income per share because their effect is not material.

Earnings per share for the three month period ending March 31, 1991 was determined by dividing net income by 1,063,600 the number of shares issued and outstanding for the period. Common stock equivalents have not been used in computing net income per share because their effect is not material.

(4) Deferred Loan Fees

Effective July 1, 1988, management adopted Statement of Accounting Standards No. 91 (SFAS 91) In connection with its adoption, loan origination fees (net of certain direct origination costs) will be deferred and amortized into interest income using the level yield method over the contractual life of the loan. Management intends to apply SFAS 91 on a prospective basis.

(5) Cash Flow Activities

The following information is presented as supplemental disclosure to the statement of cash flows, as required by Statement of Financial Accounting Standards No. 95.

(a) Cash paid during the three months ended March 31 for:

	1992	1991
Interest expense	$9,271,392	$10,045,283
Income taxes	$1,119,506	$ 2,065,624

(b) For purposes of the statement of cash flows, the Company considers all highly debt instruments purchased with a maturity of three months or less to be cash equivalents.

MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis covers any material changes in the financial condition since June 30, 1991 and any material changes in the results of operations in the three month and nine month periods ending March 31, 1992. This discussion and analysis should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the 1991 Annual Report to Shareholders.

Financial Condition

First Federal Financial Corporation of Kentucky's ("the Corporation") total assets were $224,977,239 representing a $11,617,523 (5.4%) increase over the June 30, 1991 period. Total assets at March 31, 1992 were up $14,389,997 (6.8%) over the same period ending March 31, 1991.

The Corporation continues to experience a manageable level of growth at a time when many financial institutions are struggling to maintain the their deposit base. Additions to assets during the period were provided by net deposits, interest credited to savings accounts and earned income.

Results of Operations

(The following discussion is limited to comments about First Federal Savings Bank since First Federal Financial Corporation of Kentucky produced no significant income other than the income produced by the Bank, the Corporation's only subsidiary.)

The Bank's income is derived primarily from the difference between interest income earned on it loans and investment portfolio and interest paid on deposits. Earnings are also affected by loan fees, service charge income, provisions for loan losses, operating expenses and income tax provisions for loan losses, operating expenses and income tax provisions. Additionally, First Service Corporation, a wholly owned subsidiary, contributed $18,700 during the third quarter to net income from the sale of alternative investment products and insurance.

Net income totalling $1,059,616 for the three month period ending March 31, 1992 was a Corporation record for a quarter when no extraordinary income items were included, representing a $256,921 (32%) increase over the same period in 1991.

The increase in loan interest income of $55,797 (1.1%) for the period ending March 31, 1992 as compared to the same period in 1991 was the result of a $4.5 million increase in the total loans outstanding. Increased loan volume was funded by a $11.9 million increase in the deposit base with any excess deposits being invested in short term investments. Loans comprised 90.8% of the Bank's earning assets down from 94.1% in the same period in 1991. The reduction in interest expense of $479,989 (15.3%) for the three months ending March 31, 1992 when compared to the same period in 1991 was attributable to a continuing decline in interest rates paid on all savings deposits.

The addition to the loan loss reserve was $100,000 during the quarter ended March 31, 1992 bringing total reserves to $1,053,000. The Bank is continuing to build its reserves to bring them in line with industry standards and the expectations of the Bank's regulators, even though the Bank's actual loss experience has not significantly increased. The loan loss reserve was .53% of total loans at quarter end compared to .35% of loans in the same period a year ago.

Other expenses (expenses other than interest and taxes) for the quarter ending March 31, 1992 increased $144,716 (16.8%) when compared to the same period in 1991. The increase in the expense area was due primarily to increased occupancy expense associated with the sale of the home office building and construction of the new home office, a moderate increase in the FDIC insurance premium and other normal and expected increases in operating costs.

Income tax expense increased $217,419 for the quarter ending March 31, 1992 when compared to the same period in 1991. This additional tax liability is due to increased earnings when comparing the two periods.

Liquidity and Capital Resources

Shareholders equity rose to $37,377,290 at quarter ended March 31, 1992 as compared to $34,690,646 on June 30, 1991. The increase of $2,686,644 (7.7%) results from the addition of net profits to the retained earnings account and a reduction in the Employee Stock Ownership Trust Obligation (loan). These additions to Shareholder equity increased the book value of the Corporation's stock to $34.11. The closing sale price of the stock on April 22, 1992 was $30.00 per share.

Current regulations require the Corporation's subsidiary, First Federal Savings Bank, to maintain minimum specific levels of liquid assets, (currently 5%) of cash and eligible investments to savings deposits and short term borrowings. As of March 31, 1992, the Bank's liquid assets were $21.8 million representing 12.00% of its liquidity base.

Regulatory capital for the Bank, under the Office of Thrift Supervision's most stringent requirements, as of March 31, 1992 was

$9.5 million. The Bank's capital exceeds this requirement by $27.9 million or 3.9 times the required level of capital.

As of March 31, 1992, the Bank had loan commitments of approximately $8.4 million and undisbursed loans of $1.4 million. These commitments will be funded by excess liquid assets and/or cash flow from principal payments.

FIRST FEDERAL FINANCIAL CORPORATION OF KENTUCKY

Part II. Other Information

Item 1. Legal Proceedings
Not Applicable

Item 2. Changes in Securities
Not Applicable

Item 3. Defaults Upon Senior Securities
Not Applicable

Item 4. Other Information
Not Applicable

FIRST FEDERAL FINANCIAL CORPORATION OF KENTUCKY

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST FEDERAL FINANCIAL CORPORATION
OF KENTUCKY

DATE: May 13, 1992 BY

Larry W. Logsdon
President and Chief Executive Officer
(Duly Authorized Representative)

DATE: May 13, 1992 BY

H. Dennis Young
Sr. Vice President, Treasurer & Chief Operating Officer

029992
Q34750

92 19 7612

G92-22301

PROCESSED BY
11-11-V
AUG 5 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

L30

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSIC
WASHINGTON, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

FOR QUARTER ENDED: MARCH 31, 1992 COMMISSION FILE NUMBER 33-29985-NY

THE FREIGHT CONNECTION, INC.
Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

11-2994672
(I.R.S. Employer Identification No.)

12900 Dupont Circle, Tampa, Florida, 33626 (813) 854-1500
Address including zip codes and telephone number, including area code of registrant's principal executive offices)

SEC RECEIVED
147
03 1992
SECTION

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _____ No __X__ Filed late but now all filed.

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of the Company's shares of par value $.01 common stock outstanding as of March 31, 1992 was 1,585,000.

BEST COPY
AVAILABLE

THE FREIGHT CONNECTION, INC.

FORM 10-Q

MARCH 31, 1992

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(1). Liquidity - some events or trends for 1992 could greatly affect liquidity. The trends could be considered inter-related in that the exercise of "A" and "B" Warrants from the public offering may provide a capital infusion. This would probably only occur if the Company's common stock was trading at levels above the Warrants' exercise price and if, this trading level was extended for a consistent amount of time.

There are currently as of March 31, 1992, $142,274.00 in liquid assets. As of September 30, 1992, there were $63,997.00 in liquid assets.

Currently, there is a limited market for the Company's stock. The Company has filed form 211 with respect to Rule 15C2-11 (a)(5) of the act whereby the stock is listed on the "Pink Sheets" by the National Quotation Bureau. The Company had a net loss for the year ended December 31, 1990 (audited) of $28,324, a loss of $331,708 for the nine months ended September 30, 1991 (audited) and a net loss of $31,108 for the six months ended March 31, 1992.

The Company anticipates using the proceeds of the Warrant exercise to increase its liquidity through; expanding its fastpay programs, the formation of both a truck brokerage and a customs house brokerage operation. The Company has incurred increased expenses in the past year in having new computer systems to better serve its customers designed and the costs associated with the merger and propsed Warrant exercise. The Company believes that when these expenses are completed, the Company's liquidity will increase.

The Company has capital lease obligation of $146,108 as of September 30, 1991, (audited) and $131,245 as of March 31, 1992. The Company's long term debt as of March 31, 1992, is $13,899, therefore the Company does not feel that its debt servicing will negatively affect its liquidity.

The Freight Connection, Inc., currently specializes in door-to-door Intermodal Transportation services. From the proceeds of this offering its plan on expanding into a separate truck brokerage division in order to capitalize on the short-haul and long haul expedited service runs. The company will need to hire trained personnel and join "load posting" computerized services which will allow the Company to post available loads on a nationwide network and to locate trucks in the area of its current business on a daily basis.

The Company also intends to open a Customs House Brokerage operation. Many of the Company's clients import and export shipments on a weekly basis. There has been an expressed need for "one-stop-shopping" when it comes to transportation services and the additions of the Customs House Brokerage operation will allow the Company to handle all of the paperwork necessary to pre-clear shipments for their clients prior to their arrival in the United States. This service will lead to complete door-to-door services throughout the world. As most large corporations are scaling back their transportation departments, the need for specialized services through "outsourcing" becomes more attractive.

There is no guarantee that the Company will be able to implement the new services it anticipates, hire the trained personnel needed or be able to market these services successfully.

The Company has put in place experienced management personnel to increase the Company's sales and to set up agreements for its new operations. The Company however, can not guarantee that its new operations will be successful or profitable or that its existing operation will provide profits to override its current losses.

The Company's general, sell and administrative expenses as of September 30, 1991, were $1,100,435 and $583,986 for the six months ended March 31, 1992. The Company estimates that its 1992 expenses will not increase proportionately with the Company's increased sales. The Company had net sales of $7,912,668 as of September 30, 1991 and $6,379,246 for the six months ended March 31, 1992. Though the Company's sales are expected to increase its costs associated with its general, selling and administrative expenses are not expected to increase proportionately.

THE FREIGHT CONNECTION, INC.

FORM 10-Q

MARCH 31, 1992

Part I - Financial Information

Item 1. Financial Statements

THE FREIGHT CONNECTION, INC.

BALANCE SHEET

ASSETS	March 31, 1992 (Unaudited)	September 30, 1991
Current assets:		
Cash	$ 142,274	$ 63,997
Accounts receivable	1,042,945	1,051,293
Other receivables	78,417	34,415
Total current assets	1,263,636	1,149,705
Property and equipment	579,216	576,748
Less accumulated depreciation	279,464	232,464
	299,752	344,284
Certificates of deposit	60,000	60,000
Deferred offering costs	86,000	53,000
Other assets	44,546	49,580
	$1,753,934	$1,656,569

See accompanying notes to financial statements.

THE FREIGHT CONNECTION, INC.

BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 1992 (Unaudited)	September 30, 1991
Current liabilities:		
Cash overdraft	$	$ 73,544
Debenture payable	15,000	15,000
Current maturities of long-term debt	16,667	16,667
Current maturities of capital lease obligations	23,507	26,103
Accounts payable	1,554,652	1,344,378
Accrued expenses	17,535	
Total current liabilities	1,627,361	1,475,692
Long-term debt, less current maturities	13,889	22,222
Long-term capital lease obligations less current maturities	131,245	146,108
	145,134	168,330
Commitments and contingencies		
Stockholders' equity:		
Common stock	1,585	1,585
Additional paid-in capital	321,273	321,273
Retained (deficit)	(341,419)	(310,311)
Total stockholders' equity	(18,561)	12,547
	$1,753,934	$1,656,569

See accompanying notes to financial statements.

THE FREIGHT CONNECTION, INC.

STATEMENT OF OPERATIONS

	Six Months Ended March 31,		Three Months Ended March 31,	
	1992 (Unaudited)	1991 (Unaudited)	1992	1991
Freight income	$6,379,246	$5,805,287	$3,055,710	$2,141,496
Freight expense	5,823,097	5,389,386	2,774,264	1,950,518
Gross profit	556,149	415,901	281,446	190,978
Selling, general and administrative expenses	583,986	632,914	239,204	274,446
Profit (loss) from operations	(27,837)	(217,013)	42,242	(83,468)
Other income (expenses):				
Miscellaneous income	19,986	13,944	12,711	4,009
Interest income	1,482	7,529	886	2,108
Interest expense	(17,239)	(3,000)	(8,867)	(3,000)
Total other income (expenses)	4,229	18,473	4,730	3,117
Net income (loss) before income taxes	(23,608)	(198,540)	46,972	(80,351)
Income taxes	7,500		7,500	
Net income	$ (31,108)	$ (198,540)	$ 39,472	$ (80,351)
Net income (loss) per share	$ (.02)	$ (.13)	$ .03	$ (.05)
Number of shares	1,585,000	1,585,000	1,585,000	1,585,000

See accompanying notes to financial statements.

THE FREIGHT CONNECTION, INC.

STATEMENT OF CASH FLOWS

	Six Months Ended March 31, 1992 (Unaudited)	Six Months Ended March 31, 1991 (Unaudited)
Cash flows from operating activities:		
Net income (loss)	$ (31,108)	$(198,540)
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
Depreciation and amortization	47,335	32,500
Stock compensation to underwriter		-
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	8,348	210,574
Other receivables	(44,002)	(10,000)
Deposits	4,699	
Restricted cash		(60,000)
Cash overdraft	(73,544)	86,215
Accounts payable	210,274	156,024
Accrued expenses	17,535	(17,560)
Total adjustments	170,654	397,753
Net cash provided by operations	139,537	199,213

See accompanying notes to financial statements.

THE FREIGHT CONNECTION, INC.

STATEMENT OF CASH FLOWS

	Six Months Ended March 31, 1992 (Unaudited)	 March 31, 1991 (Unaudited)
Cash flows from investing activities:		
Proceeds from issuance of common stock	$ -	$ -
Purchase of equipment	(2,468)	(60,000)
Net cash used in investing activities	(2,468)	(60,000)
Cash flows from financing activities:		
Payment of:		
Long-term debt	(8,333)	(6,945)
Capital lease obligations	(17,459)	-
Deferred offering costs	(33,000)	(20,000)
Net cash used in financing activities	(58,792)	(26,945)
Net increase in cash	78,277	112,268
Cash, beginning of period	63,997	-
Cash, end of period	$ 142,274	$ 112,268
Supplemental disclosures:		
Cash paid for:		
Interest	$ 16,414	$ 3,000
Noncash activities:		
Purchase of equipment	$ -	$ 229,947

See accompanying notes to financial statements.

THE FREIGHT CONNECTION, INC.

FORM 10-Q

MARCH 31, 1992

Part II.

Item 1. Legal Proceedings

There are currently no known legal proceedings.

Item 2. Changes in Securities

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters to Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

The Company has filed an 8-K on January 27, 1992, and an 8-K on April 30, 1992, which are incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE FREIGHT CONNECTION, INC.,

By Michael J Jackson
MICHAEL J. JACKSON, President

Date

Pursuant to the requirements of the Securities Exchange Act of 1934 this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By Michael J Jackson
MICHAEL J. JACKSON, President

Date

* * *

By JoAnn Powers
JOANN POWERS, Secretary

Date

* * *

By
FRANCIS A. JACKSON, Treasurer/Director

Date

* * *

By
H. TERENCE LYONS, Chairman of the Board

Date

Supplemental Information to be Furnished with Reports Filed Pursuant to Section 15(d) of the Act by Registrants Which Have Not Registered Securities Pursuant to Section 12 of the Act.

No annual report or proxy material has been sent to security holders.

0.31414

Q 35236 92 14 7731

REC'D S.E.C.
MAY 15 1992
148

10
ca

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549
FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

H92-2230

For the quarterly period ended March 31, 1992

____ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________
Commission file number: 0-18478

Integrated Waste Services, Inc.
(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	16-1347088 (I.R.S. Employer Identification No.)
201 Ganson Street, Buffalo, N.Y. (Address of principal executive offices)	14203 (Zip code)

Registrant's telephone number, including area code (716)-852-2345

____
(Former name address & fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports, and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.
Yes ______ No______

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date. Common Stock $.01 par value, 7,848,500 shares outstanding as of May 12, 1992.

PROCESSED BY
10-10-V
MAY 18 1992

BEST COPY AVAILABLE

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Q

INTEGRATED WASTE SERVICES, INC. AND SUBSIDIARIES

INDEX

PAGE NO.

PART I FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENT (Unaudited)

Consolidated Balance Sheets - March 31, 1992 and December 31, 1991 1,2

Consolidated Statements of Income - Three Months Ended March 31, 1992 and March 31, 1991. 3

Consolidated Condensed Statements of Cash Flow - Three Months Ended March 31, 1992 and March 31, 1991. 4

Notes to Consolidated Condensed Financial Statements 5

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 5,6,7,8

PART II OTHER INFORMATION

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8K NONE

Signatures 8

INTEGRATED WASTE SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 1992 (unaudited)	December 31, 1991
CURRENT ASSETS:		
Cash	$ 715,357	$ 727,898
Certificate of deposit, used as collateral for performance bond	1,029,320	3,111,791
Accounts receivable, less allowance of $300,000 for possible losses in both 1992 and 1991 respectively	7,709,902	6,854,054
Accounts receivable - employee	273,000	273,000
Prepaid expenses and other	1,837,544	1,395,435
Costs and estimated earnings in excess of billings on uncompleted contracts	1,083,723	1,119,979
TOTAL CURRENT ASSETS	12,648,846	13,482,157
PROPERTY AND EQUIPMENT:		
Cost	40,051,848	36,677,255
Accumulated depreciation	(7,375,537)	(6,341,596)
NET PROPERTY AND EQUIPMENT	32,676,311	30,335,659
OTHER ASSETS:		
Unrecovered cost of Countywide waste disposal site sold December, 1989	3,667,264	3,764,399
Investments in net assets of and advances to equity affiliates		2,706,299
Other investments	235,659	235,659
Deposits and other, net of accumulated amortization of $407,099 and $322,193 for 1992 and 1991, respectively	3,716,358	1,621,206
TOTAL OTHER ASSETS	7,619,281	8,327,563
	$ 52,944,438	$52,145,379

See accompanying notes to consolidated condensed financial statement

INTEGRATED WASTE SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 1992 (unaudited)	December 31, 1991
CURRENT LIABILITIES:		
Accounts payable	$2,118,436	$2,441,954
Accrued expenses:		
Taxes	(318,832)	513,259
Other	697,728	545,275
Billings in excess of costs and estimated earnings on uncompleted contracts	49,509	85,046
Current maturities of long-term debt	3,206,082	2,895,982
TOTAL CURRENT LIABILITIES	5,752,923	6,481,516
LONG-TERM DEBT, less current maturities	11,043,524	10,270,223
DEFERRED INCOME TAXES	1,660,265	1,661,000
OTHER LONG-TERM LIABILITIES	1,034,772	317,564
	19,491,484	18,730,303
SHAREHOLDERS' EQUITY:		
Preferred stock, $.01 par value shares authorized 5,000,000; none issued		
Common stock, $.01 par value - shares authorized, 20,000,000; issued and outstanding , 7,848,500 in 1992 and 7,846,500 in 1991 40,000 shares held in escrow in 1992 and 1991)	78,485	78,465
Additional paid-in capital	29,109,767	29,099,788
Cumulative translation adjustment	(33,027)	(12,381)
Retained earnings	4,297,729	4,249,204
TOTAL SHAREHOLDERS' EQUITY	33,452,954	33,415,076
	$52,944,438	$52,145,379

See accompanying notes to consolidated condensed financial statement

INTEGRATED WASTE SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(UNAUDITED)

	Three Months ended March 31, 1992	Three Months ended March 31, 1991
REVENUES	$8,482,101	$5,964,780
COST OF OPERATIONS	6,534,336	4,160,870
GROSS PROFIT	1,947,765	1,803,910
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,706,174	1,071,421
OTHER INCOME (EXPENSE):		
Interest expense	(144,727)	(132,608)
Interest income	53,159	55,550
Minority interest	(69,498)	-
Income before taxes on income	80,525	655,431
TAXES ON INCOME	32,000	275,281
NET INCOME	48,525	380,150
NET INCOME PER SHARE OF COMMON STOCK	$ .01	$ .06
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	8,343,308	6,141,599

INTEGRATED WASTE SERVICES, INC. AND SUBSIDIARIES

See accompanying notes to consolidated condensed financial statement

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Three Months ended March 31,	
	1992	1991
NET CASH PROVIDED BY OPERATING ACTIVITIES:	$(1,517,211)	$2,076,845
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets	-	353,953
Purchase of land, land options, property and equipment	(1,941,218)	(2,445,592)
Investments activities and advances to/from affiliates	-	-
Decrease in investment in certificate of deposit	2,082,471	64,609
(Increase) decrease in unrecovered costs of waste disposal site	97,135	(91,719)
NET CASH USED BY INVESTING ACTIVITIES	238,388	(2,118,749)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long term debt	1,890,324	1,112,770
Principal payments on long term debt	(806,923)	(1,013,646)
Payments of demand loans	-	(20,000)
Proceeds from stock options exercised	10,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,093,401	79,124
NET INCREASE (DECREASE) IN CASH	(185,422)	37,220
CASH BEGINNING OF YEAR	900,779	11,506
CASH END OF PERIOD	$ 715,357	$ 48,726

See accompanying notes to consolidated condensed financial statement

Integrated Waste Services, Inc. and Subsidiaries
Notes to Consolidated Condensed Financial Statements
(Unaudited)

1. The consolidated financial statements included herein have been prepared by Integrated Waste Services, Inc. ("the Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission and include all adjustments which are, in the opinion of management, necessary for a fair presentation. The condensed consolidated financial statement includes the accounts of the Company and its subsidiaries. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The Company believes that the disclosures are adequate to make the information presented not misleading; however, it is suggested that these financial statements be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 1991. The financial data for the interim periods may not necessarily be indicative of results to be expected for the year.

2. Earnings per share

   Earnings per share for the three months ended March 31, 1992, and 1991 were based on the weighted average number of common equivalent shares outstanding during the period. Common equivalent shares were determined under the treasury stock method.

ITEM 2 Management's discussion and analysis of financial condition and results of operations.

REVENUES

Revenues increased by approximately $2,517,000 or 42.2% for the first three months of 1992 as compared to the first three months of 1991. The revenue at the Buffalo Transfer Station increased by approximately $50,000 or 3.6% in the first three months of 1992 as compared to the first three months of 1991. The Company pursuant to a management agreement dated October 1, 1991 began managing a transfer station located in Ontario, Canada. The Ontario Transfer Station generated revenue of approximately $495,000 in the first three months of 1992. In November 1992, the Company purchased 50% of the stock of Conwaste, Inc. and Cougar Disposal Inc. and recorded revenue of approximately $867,000 from these companies in the first three months of 1992. Revenue from the Company's waste collection business increased by approximately $938,000 or 221% as the Company has increased its customer base in Western New York and has extended its market area into Southern Ontario, Canada. In 1992, the Company began a Trucking and Brokerage division which generated approximately $807,000 in revenue for the first three months of 1992. The Company's materials recovery facility became fully operational in the third quarter of 1991. Revenues from this division increased by approximately $150,000 or 135% from the first quarter of 1991. Revenues increased by $263,000 or 43.9% at the landfill, attributable to increases in both volume and prices. The Company derived revenue of approximately $308,000 from its truck dismantling and equipment recycling division, which the Company purchased in November 1991. Revenues decreased in the Company's tire operations by approximately $91,000 or 9% due to an increased level of competition and the recessionary pressures. Revenues decreased by approximately $1,270,000 in the demolition and industrial cleaning division or 50.7% in part due to a general decrease in available business. In addition, during the first quarter of 1991 this division generated significant revenues from two large contracts which were substantially completed prior to 1992.

COST OF OPERATIONS AND GROSS PROFIT

Cost of operations increased by approximately $2,373,000 or 57% while the gross profit percentage decreased from 30.2% in the first quarter of 1991 to 23.0% in the first quarter of 1992. In the first three months of 1992, the Company experienced higher operating costs and increased price competition at its tire shredding division. In addition, the industrial cleaning and demolition division experienced increased competition and reduced profit margins on the contracts which it was awarded.

SELLING, GENERAL & ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses increased by approximately $635,000 or 59.2% from the first three months of 1991 as compared to the first three months of 1992, and increased as a percentage of sales from 18% to 20.1%. The increases in SG&A expenses resulted from expenses incurred in connection with the expansion of the Company's operations including hiring additional personnel, increases in the Company's marketing efforts and expansion of facilities.

The Company incurred interest expense of approximately $290,000 in the first three months of 1992 as compared to approximately $408,000 in the first three months of 1991, in which periods interest of approximately $145,000 and $275,000, respectively was capitalized and approximately $145,000 and $133,000 respectively was expensed. The decline in interest expense is attributable to a decrease in total long-term debt and a general decrease in average interest rates on outstanding borrowings.

The Company recorded interest income of $53,159 for the first three months of 1992 as compared to $55,550 for the first three months of 1991. This interest income was attributable to investment income relating to proceeds from the Company's initial and secondary offerings of common stock which were not immediately required for the Company's business. Based on currently anticipated financial requirements, the Company does not expect to generate significant interest income in the last nine months of 1992.

INCOME AND TAXES

Income before taxes on income decreased from the first three months of 1991 to the first three months of 1992 as a result of the decrease in the Company's gross profit percentage and the increase in the Company's selling, general and administrative expenses. The Company's effective tax rate for 1991 was 39.7%. The Company anticipates that its effective tax for 1992 will remain at approximately 40%.

NET INCOME

Net income for the three months ended March 31, 1992 decreased by $331,625 or 87.2% as compared to the three months ended March 31, 1991 as a result of the decrease in the gross profit percentage and the increase in the Company's selling, general and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1992, the Company had working capital of approximately $6,896,000 as compared to a working capital deficiency of approximately $1,122,000 as of March 31, 1991. The improvement in working capital is attributable to the Company obtaining funds in its secondary offering in 1991 and obtaining a long-term financing agreement. The Company received net proceeds from the secondary offering of common stock of approximately $14,720,000. In September 1991, the Company entered into an agreement with Marine Midland Bank, N.A. for a three year revolving line of credit ("Revolver") in the amount of $5,000,000 expiring September 1994 at 1% over the bank's prime rate (prime rate as of March 31, 1992 was 6.5%).

Historically, the Company in connection with its bank borrowing has relied on the personal guarantee of James H. Williams, the Company's Chairman. However as a result of its improved financial condition in 1991, the Company was able to obtain new financing, including the Revolver, without his guarantee. Mr. Williams continues to guarantee substantially all of the Company's borrowings which were entered into prior to September, 1991.

As of March 31, 1992 and 1991, there was approximately $3,206,000 and $6,612,000, respectively, principal amount of short-term debt. As of March 31, 1991, approximately $3,415,000 of such debt was payable on demand. All of this debt was retired in 1991 principally through the use of the Revolver.

The Company currently believes that cash provided by operations, together with bank and other external sources of financing, will permit the Company to satisfy its projected working capital requirements and capital expenditure requirements in the near future.

Signatures

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undesigned thereunto duly authorized.

Integrated Waste Services, Inc.
Registrant

DATE May 13, 1992 BY
James F. Williams
Vice President

DATE May 13, 1992 BY
Karl F. Burgin
Principal Financial and
Accounting Officer
Controller and Vice
President-Finance

017940

92 15 1601

Q.34786

I92-2230

SEC MAIL PROCESSING
RECEIVED
MAY 15 1992
114
WASH. D.C.
SECTION

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

Quarterly Report Under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For Quarter Ended March 31, 1992

Commission File Number 2-95114

LOGAN COUNTY BANCSHARES, INC.
(Exact Name of Registrant as Specified in Its Charter)

WEST VIRGINIA
(State or other jurisdiction of incorporation or organization)

55-0660015
(IRS Employer Identification Number)

P. O. BOX 597, LOGAN, WEST VIRGINIA 25601
(Address of Principal Executive Offices) (Zip Code)

(304) 752-2080
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding, of each of the issuer's classes of common stock, as of the latest practicable date. 234,216

PROCESSED BY
MAY 18 1992
Microfilmed by
Q-Data Corp. - St. Petersburg, FL

BEST COPY
AVAILABLE

LOGAN COUNTY BANCSHARES, INC. AND SUBSIDIARIES
Consolidated Statement of Condition
March 31, 1992 and 1991 and December 31, 1991
(In Thousands)

ASSETS	March 31, 1992	March 31, 1991	December 31, 1991
CASH AND DUE FROM BANKS	$2,597	$3,132	$3,688
INVESTMENT SECURITIES	22,511	22,543	17,982
FEDERAL FUNDS SOLD	6,325	6,125	6,325
LOANS:			
TOTAL LOANS	47,745	41,895	46,639
LESS: UNEARNED INTEREST	0	1	0
RESERVE FOR LOAN LOSSES	453	395	430
NET LOANS	47,292	41,499	46,209
BANK PREMISES AND EQUIPMENT	1607	1,467	1,628
ACCRUED INTEREST AND OTHER ASSETS	1387	1,450	1,213
	$81,719	$76,216	$77,045

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 1992	March 31, 1991	December 31, 1991
DEPOSITS:			
DEMAND DEPOSITS	$8,437	$8,633	$8,527
SAVINGS DEPOSITS	42,479	31,755	34,536
TIME DEPOSITS	21,823	26,914	24,933
TOTAL DEPOSITS	72,739	67,302	67,996
ACCRUED AND OTHER LIABILITIES	568	474	774
INCOME TAXES PAYABLE:			
CURRENT	84	36	84
DEFERRED	37	31	37
TOTAL LIABILITIES	73,428	67,843	68,891
STOCKHOLDERS' EQUITY:			
COMMON STOCK-$5.00 PAR VALUE; AUTHORIZED-260,000 SHARES; ISSUED & OUTSTANDING-254,806.	1,274	1,274	1,274
SURPLUS	2,071	2,071	2,071
RETAINED EARNINGS	5,786	5,521	5,644
TREASURY STOCK	(840)	(493)	(835)
TOTAL STOCKHOLDERS' EQUITY	8,291	8,373	8,154
	$81,719	$76,216	$77,045

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

LOGAN COUNTY BANCSHARES, INC. AND SUBSIDIARIES
Consolidated Statement of Income
For the Three Month Periods Ended March 31, 1992 and 1991
(In Thousands)

	1992	1991
INTEREST INCOME:		
INTEREST ON LOANS	$1,147	$1,102
INTEREST ON INVESTMENTS	364	399
INTEREST ON FEDERAL FUNDS SOLD	83	126
	1,594	1,627
INTEREST EXPENSE:		
INTEREST ON DEPOSITS	761	834
OTHER INTEREST EXPENSE	3	0
NET INTEREST INCOME	830	793
PROVISION FOR LOAN LOSSES	23	18
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	807	775
OTHER INCOME:		
SERVICE FEES	105	73
OTHER OPERATING INCOME	15	20
TOTAL OTHER INCOME	120	93
OTHER EXPENSES:		
SALARIES AND BENEFITS	309	302
EXPENSE OF BANK PREMISES AND EQUIPMENT	96	96
OTHER OPERATING EXPENSES	296	255
TOTAL OTHER EXPENSES	701	653
INCOME BEFORE INCOME TAXES	226	215
FEDERAL INCOME TAXES	84	36
NET INCOME	$142	$179
PER SHARE OF COMMON STOCK NET INCOME	$0.61	$0.73

LOGAN COUNTY BANCSHARES, INC. AND SUBSIDIARIES

Consolidated Statement in Changes in Stockholders' Equity
For the Three Month Periods Ended March 31, 1992 and 1991
(In Thousands)

	Common Stock	Surplus	Retained Earnings	Treasury Stock	Total
BALANCE - DECEMBER 31, 1990	$1,274	$2,071	$5,342	($366)	$8,321
PURCHSE OF 3127 SHARES OF STOCK @ $40. PER SHARE	0	0	0	(127)	(127)
NET INCOME FOR THE THREE MONTHS ENDED MARCH 31, 1991	0	0	179	0	179
	$1,274	$2,071	$5,521	($493)	$8,373
BALANCE - DECEMBER 31, 1991	$1,274	$2,071	$5,644	($835)	$8,154
PURCHSE OF 119 SHARES OF STOCK @ $40. PER SHARE	0	0	0	(5)	(5)
NET INCOME FOR THE THREE MONTHS ENDED MARCH 31, 1992	0	0	142	0	142
	$1,274	$2,071	$5,786	($840)	$8,291

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

LOGAN COUNTY BANCSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 1992 AND 1991

	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME	$142	$179
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION	25	24
SECURITY AMORTIZATION AND ACCREATION	(5)	(4)
MARKET VALUE AMORTIZATION	1	1
PROVISION FOR LOAN LOSSES	23	18
(INCREASE) DECREASE IN OTHER ASSETS	(174)	(23)
INCREASE (DECREASE) IN OTHER LIABILITIES	(206)	(180)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(194)	15
CASH FLOWS FROM INVESTING ACTIVITIES:		
PROCEEDS FROM SALE OF INVESTMENT SECURITIES	1,550	1,403
PURCHASE OF INVESTMENT SECURITIES	(6,074)	0
NET (INCREASE) DECREASE IN FEDERAL FUNDS SOLD	0	(2,600)
NET (INCREASE) DECREASE IN LOANS	(1,106)	(1,140)
PROCEEDS FROM SALE OF ASSETS	0	0
PURCHASE OF BANK PREMISES AND EQUIPMENT	(5)	(8)
NET CASH PROVIDED BY INVESTING ACTIVITIES	(5,635)	(2,345)
CASH FLOWS FROM FINANCING ACTIVITIES:		
NET INCREASE (DECREASE) IN DEMAND DEPOSITS	(90)	(1,050)
NET INCREASE (DECREASE) IN SAVINGS DEPOSITS	7,943	1,200
NET INCPEASE (DECREASE) IN TIME DEPOSITS	(3,110)	1,404
DIVIDENDS PAID	0	0
PAYMENTS TO ACQUIRE TREASURY STOCK	(5)	(127)
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,738	1,427
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,091)	(903)
CASH AND CASH EQUIVALENT AT BEGINNING OF PERIOD	3,688	4,035
CASH AND CASH EQUIVALENT AT END OF PERIOD	$2,597	$3,132

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

ITEM 2:

Management's Discussion and Analysis of Financial Condition and Results of Operations.

Net Income:

Interest income amounted to $1,594,000. at March 31, 1992, a decrease of $33,000. from March 31, 1991. The decrease in interest income was offset by a decrease of $70,000. in interest expense, resulting in an increase of $37,000. in net interest income between March 31, 1992 and March 31, 1991. Provision for loan losses increased $5,000.00 for the first quarters of 1992 compared to 1991. Non-interest expense increased by $48,000. for the same period offset by an increase in other income of $27,000. Federal income taxes, increased $48,000. between 1992 and 1991 due to the utilization of all available tax credits in 1991. The resulting net income decreased by $37,000. when comparing the first quarter of 1992 to 1991.

Balance Sheet Data:

Total assets grew by $4,674,000. between year end and March 31, 1992, to a balance of $81,719,000. The major component of this growth was an increase in Investment Securities of $4,529,000. and an increase in net loans of $1,106,000. The primary source of funds for this growth was an increase in deposits of $4,743,000. and net income of $142,000. for the period.

Liquidity:

Managing Logan's liquidity requirements primarily involves meeting the loan demand, deposit withdrawal and the cash flow requirements. Logan's primary sources of liquid assets are federal funds sold and investment securities maturing in less than one year. These items can be converted into funds in a short period of time. At March 31, 1992, Federal Funds sold amounted to $6,325,000. and securities maturing within one year amounted to $9,243,000. These are compared to the balances at March 31, 1991 of $6,125,000. in Federal Funds Sold and maturing Investment Securities of $9,015,000. due within one year.

Traditionally, banks have been able to manage liquidity based on a relatively stable group of core deposits. The deposits, demand and consumer deposits under $100,000. are considered the most stable and least expensive source of funds. During 1992 and 1991, banks have been faced with more volatile, interest sensitive funds and have had to match their funding requirements by using assets and liability management techniques.

Capital Resources:

Logan's capital position is based on its stockholders' equity and the primary source of such equity has been retained earnings. Since Logan's formation and merger, it has accumulated Retained Earnings of $5,786,000. and has a total Stockholders' Equity of $8,291,000. as of March 31, 1992; as compared to $5,521,000. of Retained Earnings and total Stockholders' equity of $8,373,000. at March 31, 1991.

ITEM 2. (Continued):

The equity capital was 10.15% and 10.99% of total assets at March 31, 1992 and 1991 respectively. At present, there are no plans for any significant capital expenditures.

Effects of Inflation:

The impact of inflation on a financial institution differs significantly from that exerted on an industrial concern, primarily because a financial institution's assets and liabilities consist almost entirely of monetary items. The low proportion of the Bank's net fixed assets to total assets reduces both the potential of inflated earnings resulting from understated depreciation charges and the potential significant understatement of asset values. However, inflation does have a considerable indirect impact on banks, including increased loan demand, as it becomes necessary for producers and consumers to acquire additional funds to maintain the same levels of consumption, inventories, and new investments. Inflation also frequently results in higher interest rates which can affect both yields on earning assets and rates paid on deposits and other interest-bearing liabilities.

PART II. - OTHER INFORMATION

NONE.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LOGAN COUNTY BANCSHARES, INC.
(Registrant)

Date 5/15/92 Frank H. Oakley
Frank H. Oakley, Chairman
(Signature)

Date 5/15/92 Eddie Canterbury
Eddie D. Canterbury, Exec. Vice Pres.
(Signature)

0 302529
Q-34714

92 14 3196

J92-2230 12

RECD S.E.C.
MAY 15 1992
132

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from

Commission file number 0-19737

12-12 = 2
230 MAY 15

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

NOEL GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	13-2649262
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
667 Madison Avenue, New York, New York	10021
(Address of principal executive offices)	(Zip Code)

(212) 371-1400
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the securities Exchange Act of 1934 during the preceding 12 months, (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 8, 1992
Common Stock - $.10 Par Value	20,192,233

BEST COPY AVAILABLE

NOEL GROUP, INC. AND SUBSIDIARY

INDEX

Page No.

Part I - FINANCIAL INFORMATION

Item 1. Consolidated Balance Sheets March 31, 1992 and December 31, 1991 3

Consolidated Statements of Operations Three months ended March 31, 1992 and 1991 4

Condensed Consolidated Statements of Cash Flows Three months ended March 31, 1992 and 1991 5

Notes to Consolidated Financial Statements 6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 9

Part II - OTHER INFORMATION

Item 1. Legal Proceedings 11

Item 6. Exhibits and Reports on Form 8-K 11

PART 1 - FINANCIAL INFORMATION

Item 1. - Financial Statements

NOEL GROUP, INC. AND SUBSIDIARY
Consolidated Balance Sheets
(dollars in thousands, except par value)

	March 31, 1992 (Unaudited)	December 31, 1991
Assets		
Current Assets:		
Cash and cash equivalents	$74,743	$11,196
Short-term investments	38,049	-
Marketable securities	584	584
Accounts and accruals receivable, less allowance for doubtful accounts of $180 and $690	4,828	7,168
Inventory	4,654	4,780
Other current assets	839	466
	123,697	24,194
Investments	44,966	43,895
Property and equipment, less accumulated depreciation of $207 and $182	389	395
Intangible assets, less accumulated amortization of $145 and $103	2,869	2,911
Other assets	1,948	1,935
	$173,869	$73,330
Liabilities and Stockholders' Equity		
Current Liabilities:		
Short-term debt	$8,426	$8,982
Current portion of long-term debt	22	22
Accrued interest payable	64	61
Income taxes payable	22	24
Trade accounts payable	856	812
Other current liabilities	2,184	2,814
	11,574	12,715
Long-term debt	21	22
	11,595	12,737
Stockholders' Equity:		
Preferred stock, $.10 par value, 2,000,000 shares authorized, none outstanding	-	-
Common stock, $.10 par value, 40,000,000 shares authorized, 20,203,233 and 10,203,233 issued, respectively	2,020	1,020
Capital in excess of par value	219,742	118,242
Accumulated deficit	(58,946)	(58,182)
Treasury stock at cost, 11,000 shares	(487)	(487)
Cumulative translation adjustment	(55)	-
	162,274	60,593
	$173,869	$73,330

The accompanying notes are an integral [illegible]

NOEL GROUP, INC. AND SUBSIDIARY
Consolidated Statements of Operations
Three Months Ended March 31,
(Unaudited)
(dollars in thousands, except per share amounts)

	1992	1991
Revenue Items:		
Sales	$3,519	$ -
Cost and Expense Items:		
Cost of sales	2,376	-
Selling, general, administrative and other expenses	2,697	1,089
Depreciation and amortization	67	13
	5,140	1,102
Operating loss	(1,621)	(1,102)
Other Income (Expense):		
Other income	562	496
Interest expense	(137)	-
	425	496
Loss before provision for income taxes	(1,196)	(606)
Provision for income taxes	(22)	-
Loss from consolidated companies	(1,218)	(606)
Income from investments	454	30
Net loss	($764)	($576)
Net loss per common and common equivalent share	($0.05)	($0.05)
Weighted average common and common equivalent shares	16,895,530	10,636,781

The accompanying notes are an integral part of these financial statements.

NOEL GROUP, INC. AND SUBSIDIARY
Condensed Consolidated Statements of Cash Flows
Three Months Ended March 31,
(Unaudited)
(dollars in thousands)

	1992	1991
Net cash used for operating activities	($272)	($2,229)
Cash Flows From Investing Activities:		
Purchases of investments	(672)	(1,559)
Change in short-term investments	(38,049)	-
Additions to property and equipment	(19)	-
Other, net	(13)	-
Net cash used for investing activities	(38,753)	(1,559)
Cash Flows From Financing Activities:		
Issuance of common stock, net	103,129	-
Repayments of short-term debt	(556)	-
Other, net	(1)	(8)
Net cash provided from (used for) financing activities	102,572	(8)
Net increase (decrease) in cash and cash equivalents	$63,547	($3,796)

The accompanying notes are an integral part of these financial statements.

NOEL GROUP, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
As of March 31, 1992 and for the
Three Months Ended March 31, 1992 and 1991
(Unaudited)

1. Summary of Significant Accounting Policies:

General

The consolidated financial statements included in this Form 10-Q have been prepared by Noel Group, Inc. ("Noel"), without audit. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. While Noel believes that the disclosures made are adequate to make the information presented not misleading, it is recommended that these consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in Noel's annual report for the year ended December 31, 1991. In the opinion of management, the information furnished reflects all adjustments which are necessary to fairly present such information. These adjustments, except as otherwise disclosed, consist only of normal recurring adjustments.

Consolidation

The consolidated financial statements include the accounts of Noel and its majority-owned subsidiary, Simmons Outdoor Corporation ("Simmons"), (collectively the "Company"), after the elimination of significant intercompany transactions. Simmons is included only in the results of operations for the three months ended March 31, 1992, because it was acquired on July 12, 1991. On October 31, 1991, Noel increased its interest in Sylvan Foods Holdings, Inc. ("Sylvan Foods") to 25% of Sylvan Foods' common shares outstanding and accordingly began to account for its investment in Sylvan Foods on the equity method. Retroactive application of the equity method to Noel's financial statements for periods prior to October 31, 1991, would not have a material effect. Accordingly, the equity method has been applied prospectively.

Cash and cash equivalents and short-term investments

Cash and cash equivalents include $2,639,000 of restricted cash at December 31, 1991. Short-term investments include $4,227,000 of restricted investments at March 31, 1992.

Investments

The equity method of accounting is used for common equity investments in which the Company's voting interest is from 20% through 50% and for limited partnership investments. Taxes are provided on the undistributed earnings of equity investments. The cost method of accounting is used for common equity investments in which the Company's voting interest is less than 20%. Any non-temporary decline in the value of any equity or cost basis investment is expensed at the time such decline is identified. Realized gains and losses are recorded on a specific identification basis.

Inventory

Inventory is stated at the lower of cost or market, determined by the FIFO method. Inventory at March 31, 1992 and December 31, 1991, consisted primarily of finished goods.

Foreign Currency Translation

In the fourth quarter of 1991, Sylvan Foods acquired Somycel S.A., a European company. Assets and liabilities of the non-U.S. operations of Sylvan Foods are translated into U.S. dollars using period-end exchange rates, while revenues and expenses are translated at average exchange rates throughout the period. The Company's pro rata share of the resulting net translation adjustments is recorded as a separate component of stockholders' equity.

Earnings (Loss) Per Common and Common Equivalent Share

Primary earnings per share are computed based on the weighted average number of shares of Noel common stock and dilutive equivalents during the respective periods. Stock options granted during 1991 have been treated as common stock equivalents for the period ended March 31, 1991 only, even though they are anti-dilutive, pursuant to the provisions of Staff Accounting Bulletin No. 83. Fully diluted earnings per common and common equivalent share have not been presented since the computation would be antidilutive.

2. Investments:

Summarized financial information for Global Natural Resources Inc. for the three months ended March 31, 1992 and 1991, is as follows (dollars in thousands):

	Three Months ended March 31,	
	1992	1991
Revenues	$12,673	$16,443
Operating costs and expenses	$11,344	$12,898
Net income	$ 404	$ 859

Summarized financial information for Sylvan Foods for the three months ended March 31, 1992 and 1991, is as follows (dollars in thousands):

	Three Months ended March 31,	
	1992	1991
Revenues	$26,443	$20,166
Operating costs and expenses	$23,595	$18,230
Net income	$ 1,764	$ 904

At March 31, 1992, a public market existed for the common stock of certain of Noel's investments. The closing price or average of the closing bid and asked price, the product of the number of shares and the market price (the "Market Value") and Noel's carrying amounts were as follows (dollars in thousands except per share amounts):

	March 31, 1992			
	Number of Shares	Market Price Per Share(1)	Market Value	Book Value
Global Natural Resources Inc.	5,886,700	$10.125	$ 59,603	$20,830
VISX, Incorporated	1,573,100	15.500	24,383	1,265
Sylvan Foods Holdings, Inc.	1,531,000	12.250	18,755	11,305
Garnet Resources Corporation	1,356,000	8.000	10,848	3,184
Health Management International Incorporated	962,500	3.250	3,128	1,877
			$116,717	$38,461

(1) Since the public market for these shares is limited and their sale, in some cases, is restricted by securities laws or by agreement, and because no control premium if any, has been reflected, the market prices per share should not be viewed as reflective of prices that might be obtained in future market transactions or transactions involving a substantial number of shares.

3. Public Offering:

On January 29, 1992, Noel completed a public offering of 10,000,000 shares of Common Stock. The net proceeds to Noel after underwriting discounts and commissions of $7,500,000 and estimated expenses of $1,500,000 were $101,000,000. The entire amount of estimated expenses of the public offering was deducted from capital in excess of par value at December 31, 1991.

Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations:

Liquidity and Capital Resources

Except for working capital requirements, future cash needs of the Noel Group, Inc. ("Noel") will be dependent on management's acquisition decisions. At March 31, 1992, Noel had unrestricted cash and liquid investments of $109,141,000.

Upon the completion of its initial public offering of 10 million shares of Common Stock in January 1992 (the "Offering"), Noel's liquidity increased by approximately $101,000,000, the net proceeds of the Offering. Noel has invested the proceeds of the Offering in U.S. government securities which are included in cash and cash equivalents and short-term investments at March 31, 1992. The Offering proceeds will be utilized to finance Noel's future acquisitions, which have not yet been identified, and will also be available to fund Noel's working capital requirements and to support Noel's operating companies. It is management's intention that substantially all of the proceeds of the Offering be used to acquire controlling equity positions in established privately and publicly-held operating companies. The timing of such investments will depend on general market conditions and the availability of opportunities meeting Noel's business objectives.

Noel believes that its cash and cash equivalents and short-term investment balances are sufficient to fund its working capital requirements for the foreseeable future. Noel also expects that its operating companies will be able to meet their own working capital requirements, including debt service; however, if an operating company requires additional funding for the purpose of making acquisitions at the operating company level or to otherwise support growth, or suffers operating or cash flow deficits, Noel may fund such requirements.

Noel does not currently, nor does it expect to, receive cash dividends from any of its investee companies, and furthermore, Simmons Outdoor Corporation ("Simmons") is prohibited from paying dividends by an existing loan agreement.

As of December 31, 1991, Simmons was in non-compliance with certain covenants of its credit facility. In 1992, Simmons successfully negotiated a new credit facility with its lender with amended covenants. As part of the agreement, Noel has guaranteed $3,300,000 of Simmons' outstanding loan balance and also could be required to contribute $530,000 for a commitment made by Simmons.

Changes in Balance Sheet Accounts March 31, 1992 versus December 31, 1991:

Cash and Cash Equivalents and Short-term Investments:
Cash and cash equivalents and short-term investments increased by $101,596,000 primarily due to the proceeds from the Offering.

Accounts and Accruals Receivable, less Allowance for Doubtful Accounts:
Accounts and accruals receivable decreased by $2,340,000 primarily due to Noel's receipt of the proceeds from sales of marketable securities totalling $1,399,000, and the reduction of Simmons' net trade receivables of $1,050,000.

Stockholders' Equity:
The increase of $101,681,000 relates primarily to the Offering.

Results of Operations Three Months ended March 31, 1992 versus March 31, 1991:

Sales:
Sales of $3,519,000 in 1992 relate to Simmons which was acquired by Noel on July 12, 1991. Simmons' sales are seasonal, typically peaking during August through October.

Cost and Expense Items:
Cost of sales of $2,376,000 relate to Simmons. Selling, general administrative and other expenses increased to $2,697,000 in 1992 from $1,089,000 in 1991. The increase in these expenses of $1,608,000 reflects principally the inclusion of Simmons' expenses of $1,350,000 in 1992 only.

Other Income (Expense):
The interest expense of $137,000 in 1992 relates to the Simmons revolving credit facility.

Income from Investments:
Income from investments increased by $424,000 from $30,000 in 1991 to $454,000 in 1992. The investment income in 1992 relates primarily to Noel's equity income related to its investment in Sylvan Foods Holdings, Inc. ("Sylvan Foods"). Noel increased its holding in Sylvan Foods common stock to 25% effective October 31, 1991. The results of Sylvan Foods are included in Noel's results using the equity method of accounting from that date.

PART II - OTHER INFORMATION

Item 1. - Legal Proceedings

There are no pending material legal proceedings to which Noel or its subsidiary is a party or to which any of their property is subject, other than ordinary routine litigation incidental to their respective businesses.

Item 6. - Exhibits and Reports on Form 8-K

a) Exhibits

(2)	Not Applicable
(4)	Not Applicable
(11)	Not Applicable
(15)	Not Applicable
(18)	Not Applicable
(19)	Not Applicable
(20)	Not Applicable
(23)	Not Applicable
(24)	Not Applicable
(25)	Not Applicable
(28)	Not Applicable

(b) Reports on Form 8-K

None

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NOEL GROUP, INC.

Date: May 14, 1992

By: Todd K. West
Todd K. West

Vice President - Finance,
Treasurer and Secretary
(As both a duly authorized officer
of Registrant and as chief
accounting officer of Registrant)

0021130

Q_34751

13

92 15 1389

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

K92-2230

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______________ *to* _______________

Commission File Number: 0-18671

PROCESSED BY
13/13:M
MAY 18 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

NUTRAMAX PRODUCTS, INC.
(Exact name of registrant as specified in its charter)

L3Q

Delaware	**061200464**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9 Blackburn Drive, Gloucester, Massachusetts	**01930**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (508) 283-1800

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No___

As of May 14, 1992 there were 8,087,277 shares of Common Stock, par value $.001 per share, outstanding.

BEST COPY
AVAILABLE

NUTRAMAX PRODUCTS, INC.

Quarter Ended March 31, 1992

INDEX

Page Number

PART I. FINANCIAL INFORMATION:

Item 1. Financial Statements.

Condensed Statements of Operations - Three and Six Months ended March 31, 1992 and 1991 (Unaudited) 4

Condensed Balance Sheets - March 31, 1992 (Unaudited) and September 30, 1991 5

Condensed Statements of Cash Flows - Six Months ended March 31, 1992 and 1991 (Unaudited) 6

Notes to Condensed Financial Statements (Unaudited) 7

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. 8-12

PART II. OTHER INFORMATION:

Item 6. Exhibits and Reports on Form 8-K. 12

NUTRAMAX PRODUCTS, INC.

Quarter Ended March 31, 1992

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

NUTRAMAX PRODUCTS, INC.

CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	1992	1991	1992	1991
NET SALES	$ 6,196,000	$ 5,296,000	$11,586,000	$ 9,707,000
COST OF SALES	3,374,000	2,987,000	6,453,000	5,626,000
GROSS PROFIT	2,822,000	2,309,000	5,133,000	4,081,000
OPERATING EXPENSES:				
Selling	683,000	628,000	1,263,000	1,198,000
General and administrative	687,000	535,000	1,420,000	1,037,000
OPERATING INCOME	1,452,000	1,146,000	2,450,000	1,846,000
OTHER CREDITS (CHARGES):				
Interest expense	-	(187,000)	-	(403,000)
Interest income	76,000	1,000	162,000	1,000
Other	27,000	4,000	39,000	7,000
INCOME BEFORE INCOME TAX EXPENSE	1,555,000	964,000	2,651,000	1,451,000
INCOME TAX EXPENSE	651,000	414,000	1,116,000	633,000
NET INCOME	$ 904,000	$ 550,000	$ 1,535,000	$ 818,000
EARNINGS PER SHARE:	$ .11	$ .09	$ .19	$ .14
WEIGHTED AVERAGE SHARES OUTSTANDING	8,087,000	5,895,000	8,087,000	5,895,000

See notes to condensed financial statements.

NUTRAMAX PRODUCTS, INC.

CONDENSED BALANCE SHEETS

	March 31, 1992 (Unaudited)	September 30, 1991 (See Note)
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	$ 6,285,000	$ 6,967,000
Accounts receivable, net	3,067,000	2,359,000
Inventories	1,945,000	1,903,000
Prepaid expenses and other	383,000	471,000
TOTAL CURRENT ASSETS	11,680,000	11,700,000
PROPERTY AND EQUIPMENT, net	5,675,000	5,023,000
GOODWILL, net	4,833,000	4,936,000
OTHER ASSETS:		
Intangible assets, net	476,000	348,000
Other	919,000	409,000
	$23,583,000	$22,416,000
LIABILITIES AND STOCKHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
Accounts payable	$ 1,372,000	$ 785,000
Accrued payroll and related taxes	606,000	670,000
Other accrued expenses	468,000	728,000
Federal and state taxes payable	76,000	790,000
TOTAL CURRENT LIABILITIES	2,522,000	2,973,000
DEFERRED INCOME TAXES	500,000	417,000
STOCKHOLDERS' EQUITY	20,561,000	19,026,000
	$23,583,000	$22,416,000

Note: The balance sheet at September 30, 1991 has been condensed from the audited financial statements at that date.

See notes to condensed financial statements.

NUTRAMAX PRODUCTS, INC.

CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended March 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,535,000	$ 818,000
Adjustments to reconcile net income to net cash provided by operating activities	807,000	672,000
Decrease (increase) in current assets:		
Accounts receivable	(801,000)	(747,000)
Inventories	(42,000)	(84,000)
Prepaid expenses and other	68,000	(25,000)
Increase (decrease) in current liabilities:		
Accounts payable	587,000	87,000
Accrued payroll and related taxes	(64,000)	(49,000)
Other accrued expenses	(260,000)	(99,000)
Federal and state taxes payable	(714,000)	540,000
Net cash provided by operating activities	1,116,000	1,113,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of product line	-	147,000
Purchases of property and equipment	(1,100,000)	(70,000)
Deposit on equipment purchases	(407,000)	(36,000)
Other	(291,000)	(41,000)
Net cash used in investing activities	(1,798,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments under long-term debt	-	(1,006,000)
Net cash used in financing activities	-	(1,006,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(682,000)	107,000
CASH AND CASH EQUIVALENTS:		
Beginning of period	6,967,000	32,000
End of period	$ 6,285,000	$ 139,000

See notes to condensed financial statements.

NUTRAMAX PRODUCTS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
March 31, 1992
(Unaudited)

Note A - Condensed Financial Statements

The condensed balance sheet as of March 31, 1992, the condensed statements of operations for the three and six months ended March 31, 1992 and 1991, and the condensed statements of cash flows for the six months then ended have been prepared by the Company, without audit. In the opinion of the Company, all adjustments (consisting only of normal, recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 1992, and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's September 30, 1991 Annual Report on Form 10-K. The results of operations for the period ended March 31, 1992 are not necessarily indicative of the operating results for the full year.

Note B - Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

	March 31, 1992	Sept. 30, 1991
Finished goods	$ 941,000	$1,023,000
Raw materials	927,000	788,000
Machine parts and factory supplies	77,000	92,000
	$1,945,000	$1,903,000

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion addresses the financial condition of the Company as of March 31, 1992 compared with September 30, 1991 and its results of operations for the three and six month periods then ended, compared with the same periods last year. This discussion should be read in conjunction with the Management's Discussion and Analysis section included in the Company's Annual Report on Form 10-K for the year ended September 30, 1991 (pages 10-14) to which the reader is directed for additional information.

Operations Review - Three Months Ended March 31, 1992 Compared to Three Months Ended March 31, 1991

Net sales for the second quarter of fiscal 1992 were $6,196,000, an increase of $900,000, or 17%, over the second quarter of fiscal 1991 sales of $5,296,000. The increase in net sales was primarily attributable to increased sales of the Company's douche and disposable baby bottle liner products which increased $427,000, or 10%, and $449,000, or 91%, respectively. These increases resulted from an expanded customer base and greater volume to existing customers.

Cost of sales for the second quarter of fiscal 1992 was 54% of net sales as compared to 56% for the second quarter of fiscal 1991. The decrease in cost of sales as a percent of net sales resulted from reductions in the cost of direct materials and waste, and the allocation of fixed manufacturing overhead over a greater volume of units produced, as compared to the second quarter 1991.

Selling expenses for the 1992 quarter were $683,000, an increase of $55,000, or 9%, over the 1991 quarter expenses of $628,000. As a percentage of net sales, selling expenses decreased to 11% in 1992, from 12% in 1991. This decrease was primarily the result of lower sales commissions expense, relative to net sales in 1992 as compared to 1991, as a result of increased reliance on the Company's sales force instead of independent sales brokers.

General and administrative expenses for the second quarter of fiscal 1992 were $687,000, an increase of $152,000, or 28% over the comparable 1991 quarter expenses of $535,000. As a percentage of net sales, general and administrative expenses increased to 11% of net sales in 1992, from 10% in 1991. The increase was primarily attributable to management bonus expense, which increased $56,000 over 1991, bad debt expense, which increased $37,000 and professional services expense which increased $33,000 over 1991.

Proceeds from the Company's common stock offering in August 1991 were used, in part to retire all of the Company's outstanding long-term debt. Accordingly, the Company did not incur any interest expense in the second quarter of fiscal 1992.

For the second quarter of fiscal 1992, the Company earned interest income of $76,000 from investing its excess cash.

Net income for the second quarter of fiscal 1992 was $904,000, as compared to $550,000 in the comparable 1991 period.

The increase of $354,000 was primarily attributable to the increase in net sales and the elimination of interest expense partially offset by the increase in general and administrative expense and income tax expense.

Operations Review - Six Months Ended March 31, 1992 Compared to Six Months Ended March 31, 1991

Net sales for 1992 were $11,586,000, an increase of $1,879,000, or 19%, over 1991 sales of $9,707,000. The increase in net sales was primarily attributable to increased sales of the Company's douche products which increased $1,268,000, or 17%, over 1991 sales. Sales of disposable baby bottle liners increased $549,000, or 60%, over 1991 sales. These increases resulted from an expanded customer base and greater volume to existing customers.

Cost of sales for 1992 was 56% of net sales as compared to 58% for 1991. The decrease in cost of sales as a percent of net sales resulted from reductions in the cost of direct materials and waste, the allocation of fixed manufacturing overhead over a greater volume of units produced and the reduction of equipment rental expense, as compared to 1991. The Company purchased certain manufacturing equipment in October 1991, which was previously leased under an operating lease arrangement.

Selling expenses for 1992 were $1,263,000, an increase of $65,000, or 5%, over 1991 expenses of $1,198,000. As a percentage of net sales, selling expenses decreased to 11% in 1992, from 12% in 1991. This decrease was primarily a result of lower sales commissions expense, relative to net sales in 1992 as compared to 1991, as a result of increased reliance on the Company's sales force instead of independent sales brokers.

General and administrative expenses for 1992 were $1,420,000, an increase of $383,000, or 37%, over the comparable 1991 period expenses of $1,037,000. As a percentage of net sales, general and administrative expenses increased to 12% of net sales in 1992, from 11% in 1991. The increase was primarily attributable to management salary and bonus expense, which increased $155,000 over 1991, bad debts expense, which increased $87,000, professional services expense, which increased $50,000, insurance expense, which increased $41,000 and legal and accounting expenses, which increased $37,000 over 1991.

Proceeds from the Company's common stock offering in August 1991 were used, in part, to retire all of the Company's outstanding long term debt. Accordingly, the Company has not incurred any interest expense for fiscal 1992.

In 1992 the Company earned interest income of $162,000 from investing the available net proceeds from the stock offering in short-term investments.

The Company's effective income tax rates were slightly higher than the statutory tax rates as a result of permanent differences attributable to goodwill amortization. As of March 31, 1992 the Company had accumulated net operating loss carryforwards of approximately $980,000 which, upon utilization, will result in lower income tax liabilities. For fiscal year

1992, the Company anticipates utilizing approximately $335,000 of the net operating losses.

Net income for 1992 was $1,535,000, as compared to $818,000 in the comparable 1991 period. The increase of $717,000 was primarily attributable to the aforementioned increase in net sales, elimination of interest expense and earnings from interest income partially offset by the increases in cost of sales, general and administrative expenses and income tax expense.

Liquidity and Capital Resources

As of March 31, 1992, the Company had working capital of $9,158,000, including cash and cash equivalents of $6,285,000. Net cash provided by operating activities was $1,116,000 for the six months ended March 31, 1992 as compared to $1,113,000 in the prior year period. Capital expenditures, including deposits on equipment purchases, totalled $1,507,000 for the current period. The Company anticipates additional capital expenditures of approximately $400,000 during the remainder of fiscal 1992.

The Company believes that its existing working capital and anticipated funds to be generated from future operations will be sufficient to meet the Company's operating and capital needs.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

No information is required to be reported hereunder.

NUTRAMAX PRODUCTS, INC.
Quarter Ended March 31, 1992

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NutraMax Products, Inc.
(Registrant)

May 14, 1992
(Date)

Michael F. Sandler
Vice President and
Chief Financial Officer

92 14 7627

0 17529

0-35227

15

PROCESSED BY
15 — 12 IA
[illegible] 15 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

V50

L92-2230

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1992

Commission File No. 0-12896 (1934 Act)

OLD POINT FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Virginia	54-1265373
(State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

1 West Mellen Street, Hampton, Va. 23663
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code (804) 722-7451

Not Applicable

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No __

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of April 30, 1992.

Class	Outstanding at April 30, 1992
Common Stock, $5.00 par value	616,927 shares

Total number of Pages -15
Index to Exhibits - Pg. 12

1

BEST COPY AVAILABLE

OLD POINT FINANCIAL CORPORATION

FORM 10-Q

INDEX

PART I - FINANCIAL INFORMATION

Page

Item 1. Financial Statements 1

Consolidated Balance Sheets
March 31, 1992 and December 31, 1991 1

Consolidated Statement of Earnings
Three months ended March 31, 1992 and 1991 2

Consolidated Statement of Cash Flows
Three months ended March 31, 1992 and 1991 3

Consolidated Statements of Changes
in Stockholders' Equity
Three months ended March 31, 1992 and 1991 4

Notes to Consolidated Financial Statements 5

Item 2. Management's Discussion and Analysis of Financial
Condition and Results of Operations 5

Analysis of Changes in Net Interest Income 7

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K 8

2

PART I. - FINANCIAL INFORMATION

Old Point Financial Corporation
Consolidated Balance Sheets
(Unaudited)

	Mar 31, 1992	Dec 31, 1991
Assets		
Cash and due from banks	$9,855,530	$8,544,928
Investment securities		
United States Treasury	40,130,968	35,930,338
United States Government agencies	6,370,003	15,000,526
States and political subdivisions	10,349,011	10,600,396
Money market investments	1,100,000	1,225,000
Total investment securities (1)	57,949,982	62,756,260
Federal Reserve Bank stock	84,850	84,850
Trading account securities	0	0
Federal funds sold	16,840,000	3,750,000
Loans, total (excluding unearned income)	177,220,660	180,182,190
Less reserve for loan losses	3,720,896	3,232,745
Net loans	173,499,764	176,949,445
Bank premises and equipment	7,456,857	7,540,850
Other real estate owned	2,133,982	2,210,211
Other assets	3,989,894	4,195,605
Total assets	$271,810,859	$266,032,149
Liabilities		
Non-interest bearing deposits	$36,716,507	$34,687,554
Savings deposits	75,945,073	67,181,586
Certificates of deposit	118,333,490	125,270,233
Total deposits	230,995,070	227,139,373
Federal funds purchased and securities sold under agreement to repurchase	15,530,534	14,305,850
Interest bearing demand notes issued to the United States Treasury and other liabilities for borrowed money	0	0
Other liabilities	1,848,888	1,655,024
Total liabilities	$248,374,492	$243,100,247
Stockholders' Equity		
Common stock, $5.00 par value	$3,084,635	$3,083,385

	3/31/92	12/31/91
Shares authorized	3,000,000	3,000,000
Shares outstanding	616,927	616,677

	Mar 31, 1992	Dec 31, 1991
Surplus	5,246,288	5,235,039
Undivided profits	15,105,444	14,613,478
Total stockholders' equity	$23,436,367	$22,931,902
Total liabilities and stockholders' equity	$271,810,859	$266,032,149

(1) Market value of investment securities $58,614,230 $66,413,342

See accompanying notes

Old Point Financial Corporation Consolidated Statements of Earnings (Unaudited)	Three Months Ended March 31, 1992	 1991
Interest Income		
Interest and fees on loans	$4,240,775	$4,981,892
Interest on federal funds sold	77,954	70,396
Interest on United States Treasury securities	678,806	58,737
Interest on obligations of other United States Government agencies	279,026	602,192
Interest on obligations of states and political subdivisions	180,751	167,724
Interest on trading account securities	0	2,597
Dividends and interest on all other securities	22,807	1,273
Total interest income	5,480,119	5,884,811
Interest Expense		
Interest on savings deposits	729,716	750,194
Interest on certificates of deposit	2,013,907	2,403,884
Interest on federal funds purchased and securities sold under agreement to repurchase	153,569	205,468
Interest on demand notes (note balances) issued to the United States Treasury and on other borrowed money	6,995	34,820
Total interest expense	2,904,187	3,394,366
Net interest income	2,575,932	2,490,445
Provision for loan losses	800,000	250,000
Net interest income after provision for loan losses	1,775,932	2,240,445
Other Income		
Income from fiduciary activities	262,570	240,000
Service charges on deposit accounts	459,691	389,626
Other service charges, commissions and fees	87,396	70,391
Other operating income	100,935	86,289
Income from trading account	0	11,246
Security gains (losses)	459,854	(22)
Total other income	1,370,446	797,530
Other Expenses		
Salaries and employee benefits	1,339,606	1,274,523
Occupancy expense of Bank premises	171,382	164,368
Furniture and equipment expense	195,440	205,474
Other operating expenses	632,098	580,634
Total other expenses	2,338,526	2,224,999
Income before taxes	807,852	812,976
Applicable income taxes	180,000	190,000
Net income	$627,852	$622,976
Per Share earnings	$1.02	$1.01
Based on weighted average number of common shares outstanding	616,927	616,477

See accompanying notes

OLD POINT FINANCIAL CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited)

FOR PERIOD ENDING MARCH 31,	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$627,852	$622,976
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	139,600	136,199
Provision for loan losses	800,000	250,000
(Increase) decrease in other assets	205,711	23,422
Increase (decrease) in other liabilities	193,864	383,581
Net cash provided by operating activities	1,967,027	1,416,178
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in investment securities	4,806,278	(7,405,182)
Loans made to customers	(22,149,650)	(16,425,464)
Principal payments received on loans	24,799,331	18,550,189
(Increase) decrease in other real estate owned	76,229	(71,100)
Capital expenditures	(55,607)	(205,873)
(Increase) decrease in federal funds sold	(13,090,000)	2,270,000
Net cash (used in) investing activities	(5,613,419)	(3,287,430)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in non-interest bearing deposits	2,028,953	898,810
Increase (decrease) in savings deposits	8,763,487	2,502,046
Proceeds from the sale of certificates of deposit	15,499,064	26,700,629
Payments for maturing certificates of deposit	(22,435,807)	(23,175,923)
Increase (decrease) in federal funds purchased & repurchase agreements	1,224,684	1,361,715
Increase (decrease) in interest bearing demand notes	0	(4,653,889)
Proceeds from issuance of common stock	0	0
Dividends paid	(123,387)	(123,295)
Net cash provided by financing activities	4,956,994	3,510,093
Net increase (decrease) in cash and due from banks	1,310,602	1,638,841
Cash and due from banks at beginning of period	8,544,928	6,706,557
Cash and due from banks at end of period	$9,855,530	$8,345,398

See accompanying notes

5

OLD POINT FINANCIAL CORPORATION
STATEMENTS OF CHANGES
IN STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock			Undivided	
	Shares	Amount	Surplus	Profits	Total
FOR THREE MONTHS ENDED MARCH 31, 1992					
Balance at beginning of period................	616,677	$3,083,385	$5,235,039	$14,613,478	$22,931,902
Net income.......................................	--	--	--	627,852	627,852
Sale of common stock...........................	250	1,250	11,249	(12,499)	--
Cash dividends................	--	--	--	(123,387)	(123,387)
Balance at end of period......................	616,927	$3,084,635	$5,246,288	$15,105,444	$23,436,367
FOR THREE MONTHS ENDED MARCH 31, 1991					
Balance at beginning of period................	616,477	$3,082,385	$5,228,038	$13,645,062	$21,955,485
Net income.......................................	--	--	--	622,976	622,976
Sale of common stock...........................	--	--	--	--	0
Cash dividends................	--	--	--	(123,295)	(123,295)
Balance at end of period......................	616,477	$3,082,385	$5,228,038	$14,144,743	$22,455,166

See accompanying notes

6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The accounting and reporting policies of the Registrant conform to generally accepted accounting principles and to the general practices within the banking industry. The interim financial statements have not been audited; however, in the opinion of management, all adjustments necessary for a fair presentation of the consolidated financial statements have been included. These adjustments include estimated provisions for bonus, profit sharing and pension plans that are settled at year-end. These financial statements should be read in conjunction with the financial statements included in the Registrant's 1991 Annual Report to Shareholders and Form 10-K. The December 31, 1991 consolidated balance sheet reflects restated amounts required by the Office of the Comptroller of the Currency in an examination conducted as of January 31, 1992. The 1991 Form 10-K provides a detailed account of this restatement.

2. Earnings per common share outstanding are computed by dividing income by the weighted average number of outstanding common shares for each period presented.

Item 2. MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Summary

Net income for the first quarter of 1992 increased 1% to $627,852 from $622,976 for the comparable period in 1991. Earnings per share were $1.02 in the first quarter of 1992 compared with $1.01 in 1991.

Return on average assets was 0.94% for the first quarter of 1992 and 1.00% for the comparable period in 1991. Return on average equity was 10.84% for the first quarter of 1992 and 11.26% for the first quarter of 1991.

Net Interest Income

Net interest income, on a fully tax equivalent basis, increased $75,000, or 3%, for the first three months of 1992 over 1991. Average earning assets increased 7% and the net interest yield, defined as the ratio of net interest income on a fully tax equivalent basis to total earning assets, decreased from 4.57% in 1991 to 4.39% in 1992.

While total average earning assets increased, the composition of earning assets changed dramatically. Average loans declined 5% while average investment securities increased 55%, and average Federal Funds Sold increased 72%. With loan demand weak the Company has invested more in short term lower yielding investment securities.

Net interest income has also been negatively impacted by an increase in nonperforming loans and loans charged off. The higher level of nonperforming loans is expected to continue to depress the net interest yield through the remainder of 1992. Page 7 shows an analysis of average earning assets, interest bearing liabilities and rates and yields.

Provision/Allowance for Loan Losses

The provision for loan losses increased $550,000, or 220%, for the first three months of 1992 over the comparable period in 1991. Loans charged off (net of recoveries) were $311,849 in the first three months of 1992, compared to $176,209 for the same period in 1991. On an annualized basis net loan charge-offs were 0.70% of total loans for the first quarter of 1992 compared with 0.38% for the same period in 1991.

On March 31, 1992 nonperforming assets totalled $6.53 million compared with $1.59 million on March 31, 1991. The March 1992 total consisted of $1.52 million in foreclosed real estate and $4.40 million in nonaccrual loans and $609 thousand in a former branch site now listed for sale. The March 1991 total consisted of $1.10 million in foreclosed real estate and $485 thousand in nonaccrual loans. Loans still accruing interest but past due 90 days or more declined to $677 thousand as of March 31, 1992 compared with $2.00 million on March 31, 1991.

The allowance for loan losses on March 31, 1992 was $3.72 million. It represented a multiple of 0.67 times nonperforming assets and 0.85 times nonperforming loans. The allowance for loan losses on March 31, 1992 was 2.10% of loans (net of unearned income) compared to 1.00% at March 31, 1991.

Other Income

Other income increased $572,916, or 72%, for the first three months of 1992 over the same period in 1991. Each category increased during the first quarter 1992 except trading account income. Gains on the sale of investment securities were $459,854 thousand for the first quarter of 1992. These gains resulted from the restructuring of the investment securities portfolio. The average maturity was reduced to 4.24 years on March 31, 1992 compared with 6.74 years on December 31, 1991. This strategy significantly reduced the Company's interest rate risk.

Other Expenses

Other expenses increased $113,527, or 5%, in the first three months of 1992 over 1991. Salaries and benefits were up 5%, while other operating expenses increased 9%. Other operating expenses were up primarily due to the increase in FDIC insurance which was up 29% in 1992 over 1991. The Company plans no new full service branch openings for the remainder of 1992.

OLD POINT FINANCIAL CORPORATION
NET INTEREST INCOME ANALYSIS
(Fully taxable equivalent basis)*

Dollars in thousands	For the quarter ended March 31, 1992 Average Balance	1992 Interest Income/ Expense	1992 Average Rates Earned/ Paid	1991 Average Balance	1991 Interest Income/ Expense	1991 Average Rates Earned/ Paid
Loans (net of unearned income)	$179,039	$4,305	9.62%	$187,723	$5,065	10.79%
Investment securities:						
Taxable	52,022	981	7.54%	30,868	665	8.62%
Tax-exempt	10,551	274	10.39%	9,431	254	10.77%
Total investment securities	62,573	1,255	8.02%	40,299	919	9.12%
Federal funds sold	7,773	78	4.01%	4,527	70	6.19%
Total earning assets	249,385	5,638	9.04%	232,549	6,054	10.61%
Time and savings deposits:						
Interest-bearing transaction accounts	$34,665	$342	3.95%	$26,583	$330	4.97%
Money market deposit accounts	18,503	188	4.06%	17,140	245	5.72%
Savings accounts	18,445	195	4.23%	14,229	176	4.95%
Certificates of deposit, $100,000 or more	15,280	234	6.13%	17,902	348	7.78%
Other certificates of deposit	107,159	1,784	6.66%	104,746	2,056	7.85%
Total time and savings deposits	194,052	2,743	5.65%	180,600	3,155	6.99%
Federal funds purchased and securities sold under agreement to repurchase	15,245	154	4.04%	13,469	205	6.09%
Other short term borrowings	532	7	5.26%	1,385	35	10.11%
Total interest bearing liabilities	209,829	2,904	5.54%	195,454	3,395	6.95%
Net interest income/yield		$2,734	4.39%		$2,659	4.57%

* Tax equivalent yields based on 34% tax rate.

PART II - OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit 2 - Not Applicable

Exhibit 4 - Not Applicable

Exhibit 11 - Not Applicable

Exhibit 15 - Not Applicable

Exhibit 18 - Not Applicable

Exhibit 19 - Not Applicable

Exhibit 20 - Report Furnished to Security Holders

Exhibit 23 - Not Applicable

Exhibit 24 - Not Applicable

Exhibit 25 - Not Applicable

Exhibit 28 - none

(b) A report on Form 8-K was filed March 23, 1992 with the Securities and Exchange Commission describing the restatement of the 1991 financial statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OLD POINT FINANCIAL CORPORATION

April 30, 1992

By: /s/Robert F. Shuford
President and Director
Principal Executive Officer

Louis G. Morris

By: /s/Louis G. Morris
Senior Vice President and Controller
Principal Financial and Accounting Officer

OLD POINT FINANCIAL CORPORATION

INDEX OF EXHIBITS

ITEM 6(A)

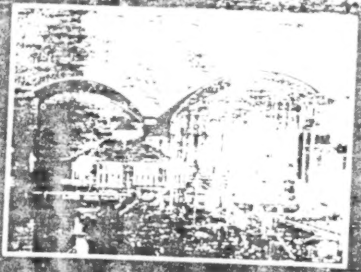
Exhibit		Page
2 -	Plan of acquisition, reorganization, arrangement, liquidation, or succession - Not Applicable	
4 -	Instruments Defining the Rights of Security Holders, Including Indentures - Not Applicable	
11 -	Statement Reference Computation of Per Share Earnings - Not Applicable	
15 -	Letter Reference Unaudited Interim Financial Information - Not Applicable	
18 -	Letter Reference Change in Accounting Principles - Not Applicable	
19 -	Previously Unfiled Documents - None	
20 -	Report Furnished to Security Holders	13
23 -	Published Report Regarding Matter Submitted to Vote of Security Holders - None	
24 -	Consents of Experts and Counsel - Not Applicable	
25 -	Power of Attorney - Not Applicable	
28 -	Additional Exhibits - None	

The Old Point National Bank

A Subsidiary of Old Point Financial Corporation

Member FDIC

OLD POINT
FINANCIAL
CORPORATION



FIRST QUARTER REPORT
MARCH 31, 1992

Consolidated Balance Sheets

	March 31, 1992	March 31, 1991
ASSETS		
Cash and due from banks	$ 9,855,530	$ 8,345,398
Investment securities		
United States Treasury	40,130,968	3,497,943
United States Government agencies	6,370,003	32,095,420
States and political subdivisions	10,349,011	9,335,524
Money market investments	1,100,000	0
Total investment securities	57,949,982	44,928,887
Federal Reserve Bank stock	84,850	84,850
Trading account securities	0	0
Federal funds sold	16,840,000	2,800,000
Loans, total (excluding unearned income)	177,220,660	185,481,593
Less reserve for loan losses	3,720,896	1,850,100
Net loans	173,499,764	183,631,493
Bank premises and equipment	7,456,857	8,186,280
Other real estate owned	2,133,982	1,105,288
Other assets	3,989,894	3,235,169
Total assets	$ 271,810,859	$ 252,317,365
LIABILITIES		
Noninterest-bearing deposits	$ 36,716,507	$ 29,867,202
Savings deposits	75,945,073	59,506,882
Certificates of deposit	118,333,490	123,892,855
Total deposits	230,995,070	213,266,939
Federal funds purchased and securities sold under agreement to repurchase	15,530,534	14,457,811
Interest-bearing demand notes issued to the United States Treasury and other liabilities for borrowed money	0	85,337
Other liabilities	1,848,888	2,052,112
Total liabilities	248,374,492	229,862,199
STOCKHOLDERS' EQUITY		
Common stock $5.00 par value	3,084,635	3,082,385
Surplus	5,246,288	5,228,038
Undivided profits	15,105,444	14,144,743
Total stockholders' equity	23,436,367	22,455,166
Total liabilities and stockholders' equity	$ 271,810,859	$ 252,317,365

	1992	1991
Shares authorized	3,000,000	3,000,000
Shares outstanding	616,927	616,477

Consolidated Statements of Earnings

	Three Months Ended March 31,	
	1992	1991
INTEREST INCOME		
Interest and fees on loans	$ 4,240,775	$ 4,981,892
Interest on federal funds sold	77,954	70,396
Interest on United States Treasury securities	678,806	58,737
Interest on obligations of other United States Government agencies	279,026	602,192
Interest on obligations of states and political subdivisions	180,751	167,724
Interest on trading account securities	0	2,597
Dividends and interest on all other securities	22,807	1,273
Total interest income	5,480,119	5,884,811
INTEREST EXPENSE		
Interest on savings deposits	729,716	750,194
Interest on certificates of deposit	2,013,907	2,403,884
Interest on federal funds purchased and securities sold under agreement to repurchase	153,569	205,468
Interest on demand notes (note balances) issued to the United States Treasury and on other borrowed money	6,995	34,820
Total interest expense	2,904,187	3,394,366
Net interest income	2,575,932	2,490,445
Provision for loan losses	800,000	250,000
Net interest income after provision for loan losses	1,775,932	2,240,445
OTHER INCOME		
Income from fiduciary activities	262,570	240,000
Service charges on deposit accounts	459,691	389,626
Other service charges, commissions and fees	87,396	70,391
Other operating income	100,935	86,289
Income from trading account	0	11,246
Security gains (losses)	459,854	(22)
Total other income	1,370,446	797,530
OTHER EXPENSES		
Salaries and employee benefits	1,339,606	1,274,523
Occupancy expense of Bank premises	171,382	164,368
Furniture and equipment expense	195,440	205,474
Other operating expenses	632,098	580,634
Total other expenses	2,338,526	2,224,999
Income before taxes	807,852	812,976
Applicable income taxes	180,000	190,000
Net income	$ 627,852	$ 622,976
PER SHARE		
Based on weighted average number of common shares outstanding	616,927	616,477
Net income	$ 1.02	$ 1.01

Old Point Financial Corporation Officers

ROBERT F SHUFORD
Chairman of the Board and President

ROBERT S KENERLEY
Executive Vice President

PAUL T SCIACCHITANO
Senior Vice President and Treasurer

LOUIS G MORRIS
Senior Vice President and Controller

LENA S CUSCE
Vice President and Auditor

W RODNEY ROSSER
Secretary

Old Point National Bank Officers

Executive Officers

ROBERT F SHUFORD
Chairman of the Board

ROBERT S KENERLEY
President

PHILIP A FULLER
Senior Vice President

PAUL T SCIACCHITANO
Executive Vice President and Cashier

LOUIS G MORRIS
Executive Vice President and Controller

MARGARET P McKENZIE
Senior Vice President

Branch Administration

JEFFERY R SANDFORD
Vice President

MARVIN A JACKSON
Vice President

BRYAN K LANDRUM
Assistant Vice President

D MARK GEDRO
Assistant Vice President

DAVID M BEGOR
Assistant Vice President

HELEN A OAKLEY
Assistant Vice President

STEVEN D HUSSELL
Assistant Vice President

BARBARA F SANDERS
Branch Officer

ROBERT E TURNER
Branch Officer

GERALD A McCANN JR
Branch Officer

CORINE D LUCK
Branch Officer

DAVID E PASKO
Branch Officer

L DEANIE BRADSHAW
Assistant Branch Officer

Trust Administration

W RODNEY ROSSER
Senior Vice President and Trust Officer

ROBERT R TRIPP
Vice President and Trust Investment Officer

JACQUELYN B STEARN
Vice President and Trust Officer

STEPHEN T MELOCHICK
Vice President and Trust Officer

C KAY ALLIGOOD
Trust Officer - Operations

KAREN A COMPTON
Trust Officer

Loan Administration

FRANCES A OLIVER
Assistant Vice President

SUSAN W SPIVEY
Assistant Vice President

Commercial Loans

ROBERT S CLAWSON
First Vice President

R HARRELL MANN
Vice President

CRAIG H WILLIAMS
Vice President

ROBERT L BAILEY
Vice President

DOUGLAS T DAVIS
Commercial Loan Officer

Consumer Loans

SALLY S JOHNSON
Assistant Vice President

Corporate Services

F J DWYER JR
Senior Vice President

LAURA P WORST
Assistant Vice President

RENEE H LEWIS
Product Development Officer

Marketing

MARY E JACKSON DERRICK
Assistant Vice President

Operations

PATRICIA A ORENDORFF
Vice President

JENNY L TYNDALL
Data Processing Officer

M RODGERS JACOBS II
Data Processing Officer

Accounting

JACQUELINE B HELLMAN
Assistant Vice President

Personnel

MARK A DULANEY
First Vice President

Audit

LENA S CUSCE
Vice President and Auditor

LAURIE D GRABOW
Staff Auditor

Board of Directors

DR IRVING V BEHM
PHILIP H BRAY
DR RICHARD F CLARK
GERTRUDE S DIXON
TOY N FOWLER
DR ROBERT J FRANK
PHILIP A FULLER
STEPHEN D HARRIS
JOHN CABOT ISHON
EUGENE M JORDAN
ROBERT S KENERLEY
ROBERT F SHUFORD

FITZHUGH C MOORE *(Director Emeritus)*

Bank Offices

HAMPTON LOCATIONS:

Main Office
1 West Mellen Street
(804) 722-7451

Forest Park Office
4030 West Mercury Boulevard
(804) 728-1261

Old Hampton Office
101 East Queen Street
(804) 728-1266

Fort Monroe Office
Patch Road at the Post Exchange
(804) 728-1272

Executive Towers Office
2101 Executive Drive
(804) 728-1276

Woodland Road Office
347 Woodland Road
(804) 728-1221

Hardy Cash Office
1613 Hardy Cash Drive
(804) 728-1206

Devonshire Office
2220 Executive Drive
(804) 838-3237

NEWPORT NEWS LOCATIONS:

Sherwood Office
13771 Warwick Boulevard
(804) 728-1226

Warwick Office
11134 Warwick Boulevard
(804) 728-1293

Professional Park Office
11751 Jefferson Avenue
(804) 728-1264

Denbigh Office
612 Denbigh Boulevard
(804) 728-1203

WILLIAMSBURG LOCATIONS:

Williamsburg Crossing Office
5273 John Tyler Highway
(804) 221-0155

Chambrel Office
3800 Treyburn
(804) 220-8330

TRUST SERVICES:

10 South Mallory Street
Hampton, Virginia 23663
(804) 728-1248

0 30944

13gw

92 13 7932

Q-34715

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

RECD S.E.C.
MAY 15 [illegible]
143

FORM 10-Q

(Mark one)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 1992

M92-2230

OR

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

RECD S.E.C.

For the transition period from __________ to __________

BEST COPY AVAILABLE

Commission file number 0-18779

PAC RIM HOLDING CORPORATION

(Exact name of registrant as specified in its charter)

PROCESSED B
13/12 : JS
MAY 18 [illegible]

DELAWARE	95-4105740
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Microfilmed by
Q-Data Corp. - St. Petersburg, Fl

6200 CANOGA AVENUE, WOODLAND HILLS, CALIFORNIA	91367
(Address of principal executive offices)	(Zip Code)

C3Q

(818) 226-6200

(Registrant's telephone number, including area code)

16030 VENTURA BOULEVARD, SUITE 400, ENCINO, CALIFORNIA 91436 (Former address)

(Former name, former address, former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No___

The number of shares of Registrant's Common Stock, $.01 par value, outstanding as of May 11, 1992, was 9,521,200.

Exhibit Index appears on Page 12 of 13 sequentially numbered pages.

PAC RIM HOLDING CORPORATION

INDEX TO FORM 10-Q

Part I. FINANCIAL INFORMATION

		Page No.
Item 1.	Financial Statements:	
	Consolidated Balance Sheets March 31, 1992 (Unaudited) and December 31, 1991	3
	Consolidated Statements of Income Three months ended March 31, 1992 and 1991 (Unaudited)	4
	Consolidated Statements of Cash Flows Three months ended March 31, 1992 and 1991 (Unaudited)	5
	Notes to Unaudited Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	7

Part II. OTHER INFORMATION

Item 1.	Legal Proceedings	10
Item 6.	Exhibits and Reports on Form 8-K	10
	Signatures	11

PAC RIM HOLDING CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	March 31, 1992 (Unaudited)	December 31, 1991
ASSETS		
Investments:		
Bonds, at amortized cost (market $108,087,781 and $101,470,839)	$106,634,018	$98,520,100
Invested cash (at cost which approximates market)	3,774,703	4,853,304
Certificates of deposit	125,000	125,000
Total Investments	110,533,721	103,498,404
Cash	333,051	581,837
Premiums receivable, less allowances for doubtful accounts of $421,263 and $346,263	21,270,079	19,244,349
Earned but unbilled premiums	9,172,733	8,273,733
Investment income receivable	2,656,446	2,583,685
Deferred policy acquisition costs	1,704,970	1,483,480
Property and equipment, less accumulated depreciation and amortization of $823,325 and $727,786	1,604,065	1,135,416
Deferred income taxes	6,876,020	6,253,712
Federal income taxes recoverable	1,021,906	---
Other assets	2,303,846	1,655,956
	$157,476,837	$144,710,572
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Reserve for losses & loss adjustment expenses	$95,476,642	$86,701,569
Unearned premiums	11,086,168	9,451,027
Reserve for policyholders' dividends	3,707,620	3,505,682
Accrued expenses and accounts payable	5,153,983	3,529,317
Other liabilities	432,055	374,652
Income taxes payable	---	495,929
Total Liabilities	115,856,468	104,058,176
Stockholders' Equity		
Preferred stock:		
$.01 par value--shares authorized 500,000; none issued and outstanding	---	---
Common stock:		
$.01 par value--shares authorized 15,000,000; issued and outstanding 9,515,700 at March 31, 1992 and at December 31, 1991	95,157	95,157
Additional paid-in capital	29,603,590	29,603,590
Retained earnings	11,921,622	10,953,649
Total Stockholders' Equity	41,620,369	40,652,396
	$157,476,837	$144,710,572

See notes to unaudited consolidated financial statements.

PAC RIM HOLDING CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Month Period Ended March 31, 1992	1991
REVENUES:		
Net premiums earned	$ 32,109,450	$ 21,519,852
Net investment income	1,465,894	875,325
Total revenue	33,575,344	22,395,177
COST AND EXPENSES:		
Losses and loss adjustment expense incurred	24,993,975	15,173,545
Amortization of policy acquisition costs–net	3,935,961	2,929,427
Administrative, general and other	2,821,578	1,849,951
Policyholders' dividends	646,000	719,332
Total costs and expenses	32,397,514	20,672,255
Income before taxes on income	1,177,830	1,722,922
Taxes on income	209,857	296,103
NET INCOME	$ 967,973	$ 1,426,819
Per share data:		
Net income	$ 0.10	$ 0.20

See notes to unaudited consolidated financial statements.

PAC RIM HOLDING CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

	Three Months Ended March 31,	
	1992	1991
OPERATING ACTIVITIES		
Net income	$967,973	$1,428,819
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	95,539	73,300
Provision for losses on accounts receivable	75,000	75,000
Changes in:		
Reserve for losses and loss adjustment expenses	8,775,073	5,814,589
Unearned premiums	1,635,141	2,186,070
Reserve for policyholders' dividends	201,938	514,044
Funds held by reinsurance company	---	(934,594)
Ceded reinsurance payable	---	(230,144)
Premiums receivable	(2,999,730)	(4,197,514)
Deferred policy acquisition costs	(221,490)	(330,214)
Other liabilities	57,403	195,214
Income taxes payable	(495,929)	(1,165,533)
Deferred income taxes	(622,308)	(308,365)
Federal income taxes recoverable	(1,021,906)	---
Accrued expenses and accounts payable	1,624,666	(501,966)
Investment income receivable	(72,761)	(463,286)
Other assets	(647,890)	311,213
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,350,719	2,466,633
INVESTING ACTIVITIES		
Additions to property and equipment	(564,188)	(146,463)
Purchase of investments	(10,320,309)	(12,734,830)
Maturity of investments	2,206,391	1,090,875
NET CASH USED IN INVESTMENT ACTIVITIES	(8,678,106)	(11,790,418)
FINANCING ACTIVITIES		
Net proceeds from issuance of common stock	---	20,502,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	---	20,502,000
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,327,387)	11,178,215
Cash and cash equivalents at beginning of period	5,560,141	15,284,842
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$4,232,754	$26,463,057

See notes to unaudited consolidated financial statements.

PAC RIM HOLDING CORPORATION AND SUBSIDIARY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1992

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Pac Rim Holding Corporation (the "Company") and its subsidiary, The Pacific Rim Assurance Company, have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ending December 31, 1992. For further information, refer to the consolidated financial statements for the year ended December 31, 1991, and footnotes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

NOTE B -- STOCKHOLDERS' EQUITY

The Company issued additional shares of common stock through an initial public offering in March 1991. Net proceeds from the offering, after deducting $799,550 of expenses incurred in conjunction with the offering, were $20,294,200.

NOTE C -- EARNINGS PER SHARE

Earnings per share is based upon the weighted average number of common shares outstanding during each period. Stock options are common stock equivalents, and are included in the calculation of the weighted average number of shares as of the date of grant. The number of shares used in the three month periods ended March 31, 1992 and 1991 in the computation of earnings per share are 9,692,629 and 7,138,988, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

For the three months ended March 31, 1992 compared to the three months ended March 31, 1991.

Net premiums earned increased 49% to $32,109,000 for the three months ended March 31, 1992 from $21,520,000 for the three months ended March 31, 1991. The growth in net earned premiums was due to the 18% increase in new policyholders and an increase in the average policy size of 27%.

Net investment income increased 67% to $1,466,000 for the three months ended March 31, 1992 from $875,000 for the like period in 1991. This increase was attributable to an increase in assets available for investment resulting from cash flow from operations during the past three months of $7.4 million, as well as the net proceeds of $20.3 million from the Company's initial public offering in March, 1991.

The loss ratio increased to 77.8% for the three months ended March 31, 1992 from 70.5% for the three months ended March 31, 1991 as a result of a higher level of reported claims during the first quarter of 1992, related both to prior-year and current-year claims. The Company's loss experience includes a higher frequency of claims related to the adverse economic conditions in Southern California. An increased level of claims in future periods, related to a continued weak economy in California, could adversely impact results of future operations.

Underwriting expenses increased 41% to $6,758,000 for the three months ended March 31, 1992 from $4,779,000 for the period ended March 31, 1991. The underwriting expense ratio for the three months ended March 31, 1992 decreased to 21.1% from 22.2% for the comparable period in 1991.

The policyholder dividend ratio for the three months ended March 31, 1992 decreased to 2.0% from 3.4% for the period ended March 31, 1991 reflecting management's assessment of an appropriate accrual level of policyholder dividends in light of increased loss experience. In determining appropriate policyholder dividend accrual levels, the Company analyzes competitive factors related to quality of service, loss prevention, claims management and cost control, and adequacy of premium rates, as well as its own underwriting results.

In December 1991, the California Insurance Commissioner granted a 1.2% average rate increase effective January 1, 1992. The California Workers' Compensation Rating Bureau had requested an average rate increase of 11.9%. The Company believes the 1.2% rate increase is inadequate. Failure of the California Insurance Commissioner to grant adequate rate increases in the future could adversely affect the Company's profitability.

Income before taxes on income decreased 32% to $1,178,000 for the three months ended March 31, 1992 from $1,723,000 for the three months ended March 31, 1991, principally due to the higher loss ratio, offset in part by the lower underwriting expense and policyholder dividend ratios. The effective federal income tax rates for the three months ended March 31, 1992 and 1991 were 18% and 17% respectively. These rates are below the federal statutory rate of 34% primarily due to the Company's tax-exempt investment portfolio. The Company's effective tax rate will vary depending on the proportion of the Company's investment portfolio that is invested in tax-exempt securities. At March 31, 1992, the Company has an alternative minimum tax credit of $765,000 for financial reporting purposes and none for tax purposes. Alternative minimum tax credits may be carried forward indefinitely to offset future regular tax liabilities. Net income decreased 32% to $968,000 for the three months ended March 31, 1992 from $1,427,000 for the comparable period in 1991.

The Company's experience indicates an increase in the number of claims that it believes are related to adverse economic conditions, which include "stress and strain" claims that do not involve traumatic physical loss or injury. Such claims are a relatively recent phenomenon to the industry and the Company and are difficult to evaluate, since limited settlement history exists to evaluate appropriate reserve estimates. Should adverse economic conditions and the related claims persist, the Company believes that future profitability could be adversely affected.

The Company continues to monitor the sufficiency of its reserves, and depending on general economic circumstances and actual claims experience, the Company may determine to increase the level of its reserves in future periods.

The California Workers' Compensation Reform Act of 1989 (the "Reform Act"), which became effective January 1, 1990, affects many areas of the workers' compensation system in California, including increasing maximum temporary disability benefits by 50% over a two-year period beginning January 1, 1990. The Reform Act increases death benefits, vocational rehabilitation maintenance allowances and certain permanent partial disability benefits. The Company cannot determine at this time whether the implementation of the Reform Act provisions over time will materially impact the Company's growth or profitability.

Liquidity and Capital Resources

Pac Rim Holding Corporation (Pac Rim Holding) was organized in May 1987 and has been capitalized from sales of the Company's Common Stock. Pac Rim Holding is dependent on dividends from The Pacific Rim Assurance Company (Pacific Rim Assurance) for operating funds. Without the prior approval of the California Insurance Commissioner, subject to certain limitations, Pacific Rim Assurance may only pay in any 12-month period dividends and distributions in an amount up to the greater of net investment income from the preceding calendar year or 10% of policyholders' surplus as of the end of the preceding year. Pacific Rim Assurance can pay dividends of approximately $4,941,000 to Pac Rim Holding in 1992, without such prior approval. During the first quarter of 1992, Pacific Rim Assurance paid a dividend of $300,000 to Pac Rim Holding.

The Company believes that Pacific Rim Assurance will realize positive cash flow from operating activities and will be able to meet its requirements for both claim payments and expenses. The Company's cash flow provided from operating activities for the three months ended March 31, 1992 and 1991 were $7,351,000 and $2,467,000 respectively.

The Company's investments consist primarily of tax-exempt investment grade securities and insured certificates of deposit. The Company has not invested in equity securities, high-yield debt securities, or mortgage loans. Pursuant to California law, Pacific Rim Assurance had, at March 31, 1992, securities with a market value of $59,405,000 held by an authorized depository.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Effects of Inflation

Inflation can be expected to affect the operating performance and financial condition of the Company in several aspects. Inflation can reduce the market value of the investment portfolio. However, the current policy of Pacific Rim Assurance is to hold its investments to maturity. Inflation adversely affects the portion of reserve for losses and loss adjustment expenses (LAE) which relates to hospital and medical expenses, as these expenses normally increase during inflationary periods (and in recent years have increased at a greater rate than prevailing inflation). The liabilities for losses and LAE, relating to indemnity benefits for lost wages are not directly affected by inflation, as these amounts are established by statute. To the extent that the reserve for losses and LAE and claim payments have increased as a result of inflation, premium rates in prior years historically increased by operation of the rate setting process, which process establishes the minimum rates in effect in California. However, as stated in Results of Operations, above, no assurance can be given that rate changes will keep pace with inflation. Another result of inflation is an expected escalation of wages paid to employees. To the extent that wages increase, premium revenues will proportionately increase since rates are based on the employer's payroll. Since May 12, 1987, the Company's inception, the Company believes that the effect of inflation on the Company has not been material.

Recent Accounting Pronouncements

In February 1992, the Financial Accounting Standards Board ("FASB") issued Statement 109, "Accounting for Income Taxes." This statement requires that deferred income taxes must be computed using the liability method rather than the deferred method previously in effect and the statement requires implementation in 1993. The Company has evaluated the effect of adopting this statement and believes that, when adopted in 1993, it will not have a material adverse effect on its financial position or results of operations.

In December 1990, the FASB issued Statement 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement requires that the cost of postretirement benefits other than pensions is to be recognized over the related employee service period, and this statement requires implementation in 1993. The Company has evaluated the effect of adopting this statement and believes that, when adopted in 1993, it will not have a material adverse effect on its financial position or results of operations.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

On April 2, 1992, a lawsuit captioned Warren Reeder vs. Pac Rim Holding Corp., Stanley Braun, and P.W. Souza, Case Number CV-92 2017 RSWL (SX), was filed in the United States District Court for the Central District of California. The lawsuit alleges securities fraud in connection with the Company's February 13, 1992 preliminary announcement of earnings and the March 31, 1992 announcement of reduced net income. The plaintiff has requested certification of a class action and has requested unspecified compensatory damages and costs and expenses including attorneys' fees. On May 13, 1992, the Company and Messrs. Braun and Souza filed a motion to dismiss the lawsuit for failure to state a claim. The Company also filed a motion requesting the court to order the plaintiff and his counsel to pay the defendants' reasonable attorney's fees and costs in responding to the complaint. The motion alleges that plaintiff and his counsel failed to conduct a reasonable inquiry to determine if their federal securities fraud class action complaint was well grounded in fact and warranted by existing law.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(11) Statement re: Computation of Per Share Earnings

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Pac Rim Holding Corporation

May 14, 1992

By:
Stanley Braun
President
Chief Executive Officer

May 14, 1992

By:
Paul W. Souza
Vice President
Chief Financial Officer
(Principal Financial Officer)

May 14, 1992

By: Robert B Henderson
Robert B. Henderson
Controller
(Chief Accounting Officer)

INDEX TO EXHIBITS

Exhibit Number	Description	Sequentially Numbered Page
11	Statement Re: Computation of Per Share Earnings	13

EXHIBIT 11

PAC RIM HOLDING CORPORATION

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

(Amounts in thousands, except per share data)

	Three Month Period Ended March 31,	
	1992	1991
PRIMARY		
Average shares outstanding	9,516	6,960
Net effect of dilutive stock options	177	179
TOTAL	9,693	7,139
Net income	$ 968	$ 1,427
Per share amounts:		
Net income	$ 0.10	$ 0.20

0 24162

92092039

Q-34716

16

SEC MAIL RECEIVED MAY 04 1992 106 WASH D.C. PROCESSING

mr 5/8

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C., 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1992

COMMISSION FILE NO: 0-17411

N92-2230

PARKVALE FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

PENNSYLVANIA	25-1556590
(State of incorporation)	(I.R.S. Employer Identification Number)

4220 William Penn Highway, Monroeville, Pennsylvania 15146
(Address of principal executive offices; zip code)

Registrant's telephone number, including area code: (412) 373-7200

Securities registered pursuant to Section 12(b) of the Act:
Not Applicable

Securities registered pursuant to Section 12(g) of the Act:

Common Stock ($1.00 par value)
Title of Class

Indicate by check mark whether the registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No ___

The closing sales price of the Registrant's Common Stock on April 30, 1992 was $16.00 per share.

Number of shares of Common Stock outstanding as of April 30, 1992 was 1,669,300.

PROCESSED BY
16 16
MAY 0 1992
Microfilmed by
Q-Data Corp. - St. Petersburg, FL

130

BEST COPY AVAILABLE

PARKVALE FINANCIAL CORPORATION

INDEX

Part I. Financial Information

	Page
Consolidated Statements of Financial Condition as of March 31, 1992 (Unaudited) and June 30, 1991	3
Consolidated Statements of Operations (Unaudited) for the Three and Nine Months ended March 31, 1992 and 1991.	4
Consolidated Statements of Cash Flows (Unaudited) for the Nine Months ended March 31, 1992 and 1991.	5-6
Consolidated Statements of Stockholders' Equity (Unaudited) as of March 31, 1992.	6
Notes to Unaudited Interim Consolidated Financial Statements	7-8
Management's Discussion and Analysis of Financial Condition and Results of Operations.	9-15
Part II - Other Information.	16
Signature Page.	16

PARKVALE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollar Amounts in Thousands, except share data)

ASSETS	March 31, 1992	June 30, 1991
	(Unaudited)	
Cash and noninterest-earning deposits	$2,594	$4,343
Interest-earning deposits in other banks	84,109	33,947
Federal funds sold and repurchase agreements	115,000	65,882
Investment securities (market value of $41,581 at March 31 and $23,886 at June 30)	39,669	22,587
Mortgage-backed securities (market value of $130,535 at March 31 and $136,762 at June 30)	127,115	135,529
Loans, net	519,866	478,009
Real estate owned, net of allowance of $77 at March 31 and $282 at June 30	1,535	2,505
Office properties and equipment, net	2,588	2,115
Federal Home Loan Bank stock, at cost	7,048	5,463
Intangible assets and deferred charges	1,514	1,054
Prepaid expenses and other assets	11,902	8,375
Total Assets	$912,940	$759,809

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES	March 31, 1992	June 30, 1991
Savings deposits	$821,289	$677,770
Advances from Federal Home Loan Bank	30,233	25,030
Escrow for taxes and insurance	7,270	7,992
Other liabilities	5,676	3,594
Subordinated capital notes and other debt	8,723	8,669
Total Liabilities	873,191	723,055
STOCKHOLDERS' EQUITY		
Preferred Stock ($1.00 par value; 5,000,000 shares authorized; 0 shares issued)		
Common Stock ($1.00 par value; 10,000,000 shares authorized; March - 1,712,000 shares issued, June - 1,706,000 shares issued)	1,712	1,706
Additional Paid in Capital	10,718	10,585
Treasury Stock at cost (March - 42,700 shares, June - 70,000 shares)	(403)	(660)
Employee Stock Ownership Plan debt	(444)	(514)
Retained earnings	28,166	25,637
Total Stockholders' Equity	39,749	36,754
Total Liabilities and Stockholders' Equity	$912,940	$759,809

PARKVALE FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollar Amounts in Thousands, except per share data)

	Three months ended March 31,		Nine months ended March 31,	
	1992	1991	1992	1991
	(Unaudited)		(Unaudited)	
Interest income:				
Loans and mortgage-backed securities	$15,321	$15,195	$45,843	$45,632
Investments	1,636	791	4,893	1,852
Federal funds sold and repurchase agreements	1,702	1,145	3,700	4,847
Total interest income	18,659	17,131	54,436	52,331
Interest expense:				
Savings deposits	11,890	11,819	36,042	36,459
Borrowings	840	844	2,625	2,811
Total interest expense	12,730	12,663	38,667	39,270
Net interest income	5,929	4,468	15,769	13,061
Provision for loan losses	952	548	2,462	1,499
Net interest income after provision for losses	4,977	3,920	13,307	11,562
Other income:				
Fees and service charges	359	383	1,063	1,093
Gain on sale of assets	91	16	212	24
Miscellaneous	133	89	421	276
Total other income	583	488	1,696	1,393
Other expenses:				
Compensation and employee benefits	1,531	1,243	4,051	3,742
Office occupancy	491	393	1,359	1,169
Marketing	33	30	171	97
FDIC and other insurance	510	438	1,398	1,279
Office supplies, telephone, and postage	242	181	616	544
Miscellaneous	608	489	1,625	1,506
Total other expense	3,415	2,774	9,220	8,337
Income before income taxes	2,145	1,634	5,783	4,618
Income tax expense	1,068	722	2,703	2,001
Net income	$1,077	$912	$3,080	$2,617
Net income per share	$0.62	$0.55	$1.80	$1.56
Dividends per share	$0.11	$0.10	$0.33	$0.30

Parkvale Financial Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS
For Nine Months Ended March 31, 1992 and 1991
Increase (Decrease) in Cash and Cash Equivalents
(Dollar Amounts in Thousands)

	1992	1991
Cash flows from operating activities:		
Interest received	$53,118	$50,905
Loan fees received	782	685
Other fees and commissions received	1,409	1,193
Interest paid	(38,665)	(40,732)
Remittances paid to the RTC	0	(1,443)
Cash paid to suppliers, employees and others	(10,780)	(8,356)
Income taxes paid	(2,397)	(792)
Net cash provided by operating activities	3,467	1,460
Cash flows from investing activities:		
Proceeds from sales of investment securities	10,521	1,369
Proceeds from maturities of investments	28,600	4,073
Purchase of investment securities	(55,973)	0
Purchase of deposits in other banks	(50,092)	0
Purchase of loans and mortgage-backed securities	(65,529)	(19,749)
Proceeds from sales of loans and mortgage-backed securites	8,565	0
Principal collected on mortgage-backed securities	25,501	9,536
Principal collected on loans	96,857	52,698
Loans made to customers	(88,654)	(48,278)
Purchase of FHLB stock	(1,424)	0
Proceeds received from acquisition of Atlantic offices	123,334	0
Proceeds received in Grandview acquisition	6,397	0
Payment for sale of branch office	(7,348)	0
Capital expenditures	(813)	(202)
Proceeds from sale of capital assets	4	20
Deferred charges	(2)	(1)
Net cash provided by (used in) investing activities	29,944	(534)
Cash flows from financing activities:		
Net increase in demand deposits, NOW accounts and savings accounts	37,608	291
Net (decrease) increase in certificates of deposit	(27,910)	1,224
Proceeds from FHLB advances	5,203	30
Repayment of FHLB advances	0	(5,000)
Net increase in other borrowings	1,306	1,439
Redemption of subordinated capital notes	(1,252)	0
Decrease in borrowers' advances for tax & insurance	(863)	(4,026)
Net proceeds from sale of common stock	48	0
Dividends paid	(530)	(500)
Sale of (payment for) treasury stock	348	(660)
Net cash provided by (used in) financing activities	13,958	(7,202)
Net increase (decrease) in cash and cash equivalents	47,369	(6,276)
Cash and equivalents at beginning of period	70,225	95,832
Cash and equivalents at end of period	$117,594	$89,556

Reconciliation of net income to net cash provided by operating activities:	Nine months ended March 31, 1992	Nine months ended March 31, 1991
Net income	$3,080	$2,617
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	619	562
Accretion and amortization of loan fees and discounts	(834)	(1,149)
Loan fees collected and deferred	782	685
Provision for loan losses	2,462	1,502
Gain on sale of assets	(211)	(24)
Increase in accrued interest receivable	(742)	(464)
Increase in other assets	(2,502)	(225)
Increase in accrued interest payable	2	1,209
Increase (decrease) in other liabilities	811	(3,253)
Total adjustments	387	(1,157)
Net cash provided by operating activities	$3,467	$1,460

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold. Generally, federal funds are purchased and sold for one-day periods. At March 31, 1992, federal funds sold and repurchase agreements included $10,000 of term fed funds with remaining maturities ranging from 1 to 35 days and a $60,000 repurchase agreement with a remaining maturity of 1 day.

PARKVALE FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands, except share data)

	Common Stock	Paid-in Capital	Treasury Stock	Employee Stock Ownership Plan Debt	Retained Earnings	Total Stockholders' Equity
Balance, June 30, 1991	$1,706	$10,585	($660)	($514)	$25,637	$36,754
Sale of 27,300 shares of treasury stock		91	257			348
Exercise of 6,000 stock options at $8.00 per share	6	42				48
Net income, nine months ended March 31, 1992					3,080	3,080
Dividends on common stock at $.33 per share					(551)	(551)
Principal payments on employee stock ownership plan debt				70		70
Balance, March 31, 1992 (Unaudited)	$1,712	$10,718	($403)	($444)	$28,166	$39,749

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Statements of Operations

The statements of operations for the three and nine months ended March 31, 1992 and 1991 are unaudited, but in the opinion of management, reflect all adjustments (consisting of only normal recurring accruals) necessary for a fair presentation of the results of operations for those periods. The results of operations for the three and nine months ended March 31, 1992 are not necessarily indicative of the results which may be expected for fiscal 1992.

2. Accounting for Income Taxes

In February 1992, the FASB issued Statement No. 109, Accounting for Income Taxes. Statement 109 supercedes or amends the previously issued Statement 96 and numerous other accounting pronouncements. It is anticipated that the adoption of this standard will be beneficial to Parkvale, as a deferred tax asset will be recorded to reflect the tax effect of financial statement bad debt reserves which have not yet been deducted for federal income tax purposes. Parkvale is not required to adopt this statement until fiscal 1994 and has not yet completed the complex analyses required to determine the effect of its adoption.

3. Earnings Per Share

Primary earnings per share are based upon the weighted average number of issued and outstanding common shares including shares subject to stock options, which are deemed common stock equivalents. For the three and nine months ended March 31, 1992, earnings per share were $0.62 and $1.80 per share based upon 1,725,745 and 1,703,319 shares outstanding, respectively, assuming all 148,000 option shares outstanding were exercised. For the three and nine months ended March 31, 1991, earnings per share were $.55 and $1.56 per share based upon 1,650,685 and 1,672,442 shares outstanding, respectively, assuming all 154,000 option shares then outstanding were exercised.

4. Business Acquisitions

On November 15, 1991, Parkvale Savings Association ("Parkvale") acquired four branch offices of the former Atlantic Financial Savings, F.A. from the Resolution Trust Corporation ("RTC"). Parkvale paid a premium to the RTC of $947,000 or approximately 0.77% to acquire deposits totalling $122.5 million. This transaction was accounted for using the purchase method of accounting. In March 1992, Parkvale closed one of the four acquired offices and transferred the deposits to an existing Parkvale office nearby.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollar Amounts in Thousands)

5. Loans:

Loans are summarized as follows:

	March 31, 1992	June 30, 1991
First mortgage loans:		
Residential:		
1-4 Family	$429,775	$396,565
Multi-family	20,665	17,894
Commercial	22,129	23,360
Other	1,667	1,441
	474,236	439,260
Mobile home loans	1,532	2,096
Consumer loans	45,886	34,076
Commercial business loans	10,697	11,240
Loans on savings accounts	3,446	3,336
	535,797	490,008
Less:		
Loans in process	5,444	4,542
Allowance for loan losses	6,670	3,866
Unamortized discount and deferred loan fees	3,817	3,591
	$519,866	$478,009
Nonaccrual loans	$3,086	$2,467
as a percent of total assets	0.34%	0.32%

An allowance for interest accrued on delinquent loans, which has been established in accordance with OTS regulations, amounted to $158 and $237 at March 31, 1992 and June 30, 1991, respectively.

The following summary sets forth the activity in the allowance for loan losses for the nine months ended March 31:

	1992	1991
Beginning balance	$3,866	$2,209
Provision for losses - mortgage loans	2,389	1,345
Provision for losses - consumer and mobile home loans	73	154
Loss reserves acquired through merger	478	0
Loans charged off	(136)	(154)
Ending balance	$6,670	$3,554

PARKVALE FINANCIAL CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND AND RESULTS OF OPERATIONS

(Dollar Amounts in Thousands, except per share data)

Balance Sheet Data:

	March 31,	
	1992	1991
Total assets	$912,940	$749,342
Loans receivable and mortgage-backed securities	646,981	621,809
Interest-earning deposits and federal funds sold	199,109	93,824
Investment securities	39,669	11,601
Savings deposits	821,289	667,605
FHLB Advances	30,233	27,030
Other borrowings	8,723	8,492
Stockholders' Equity	39,749	35,964
Book value per share	$23.81	$21.98

Statistical Profile:

	Three Months Ended March 31, (1)		Nine Months Ended March 31, (1)	
	1992	1991	1992	1991
Average yield earned on all interest-earning assets	8.37%	9.46%	8.70%	9.60%
Average rate paid on all interest-bearing liabilities	5.93%	7.30%	6.43%	7.52%
Average interest rate spread	2.44%	2.16%	2.27%	2.08%
Net yield on average interest-earning assets	2.66%	2.47%	2.55%	2.40%
Other expenses to average assets	1.50%	1.50%	1.44%	1.50%
Taxes to pre-tax income	49.79%	44.19%	46.74%	43.33%
Return on average assets	0.47%	0.49%	0.48%	0.47%
Return on average equity	10.95%	10.24%	10.68%	9.90%
Average equity to average total assets	4.31%	4.81%	4.50%	4.75%

	At March 31,	
	1992	1991
One year GAP to total assets	-5.75%	-10.56%
Intangibles to total equity	3.81%	3.15%
Capital to assets ratio	4.35%	4.80%
Ratio of nonperforming assets to total assets	0.51%	0.70%
Number of full-service offices	27	23

(1) The applicable income and expense figures have been annualized in calculating the percentages.

Results of Operations - Comparison of Three Months Ended March 31, 199 and 1991.

For the three months ended March 31, 1992, Parkvale had net income o $1,077,000 versus $912,000 for the comparable period in 1991. Thi increase was primarily due to a $1.5 million increase in net interes income, partially offset by increases of $404,000 in loan los provisions and $641,000 in operating expenses.

Interest Income:

Parkvale had interest income of $18.7 million during the three month ended March 31, 1992 and $17.1 million during the comparable period i 1991. The 8.9% increase was attributable to a $845,000 or 106.8 increase in interest earned on investments, and a $557,000 or 48.7 increase in interest earned on federal funds sold and repurchas agreements. The average investment in federal funds sold and repurchas agreements increased $70.6 million or 114.4% as a result of the cas received from the RTC in connection with the November 1991 Atlanti acquisition. The average investment portfolio increased $66.2 millio or 157.6% due to a $44.1 million increase in interest bearing-deposit in other banks, a $21.3 million increase in investment securities an an $872,000 increase in FHLB stock. The average total loan portfoli increased by $32.1 million or 5.2% from the 1991 to the 1992 quarter. The $167.7 million or 23.2% increase in the average interest-earnin asset portfolio was offset by a decrease in the average yield from 9.46 to 8.37%. At March 31, 1992, the weighted average yield on loans and investments was 8.20%.

Interest Expense:

Interest expense increased $67,000 or 0.5% from the 1991 to the 1992 quarter. The increase was due to a $162.4 million or 24.7% increase in average deposits and a $3.5 million or 10.0% increase in average borrowings substantially offset by a decline in the average rate paid on deposits and borrowings from 7.30% to 5.93% from the 1991 to the 1992 quarter. The increase in average interest-bearing liabilities was primarily due to the Atlantic acquisition. At March 31, 1992, the average rate payable on liabilities was 5.67% for deposits, 8.33% for borrowings and 5.79% for combined deposits and borrowings.

Provision for Loan Losses:

Parkvale's provision for loan losses increased by $404,000 or 73.7% from the 1991 to the 1992 quarter. The increase was due to management's intention to continue building loan loss reserves until the region and nation emerge from the ongoing slump in real estate markets. The general loan loss reserves are deemed conservative to the various regulatory agencies. Total loan loss reserves at March 31, 1992 were $6.7 million, which represents 1.24% of the gross loan portfolio and 0.73% of total assets. See also "Nonperforming Loans and Real Estate Owned."

Other Income:

Gains on asset sales increased by $75,000 from the March 31, 1991 quarter to the comparative quarter for 1992. The current year gains were primarily due to the sale of FHLMC stock, which reached record high prices in the current quarter. These gains were partially offset by a loss on the sale of an adjustable mortgage fund. Fees, service charges and miscellaneous income combined for a net $20,000 increase in the 1992 quarter as compared to one year ago.

Other Expenses:

Compensation and employee benefits increased by $288,000 or 23.2%, primarily due to the Atlantic acquisition. Each of the institutions involved in the Atlantic resolution is responsible for a pro rata portion of compensation and benefits expenses of transition personnel in addition to the payroll costs of the branches acquired. Expenses attributable to transition personnel are expected to be insignificant after March 31, 1992. Office occupancy increased by $98,000 or 24.9%. Office supplies, telephone and postage costs increased by $61,000 or 33.7%, and miscellaneous expenses increased $119,000 or 24.3% from the 1991 to 1992 quarter. These increases reflect the additional offices in 1992 as compared to 1991. Federal insurance expense also increased by $72,000 or 16.4% due to the larger deposit base. The OTS general assessment for overhead in 1992 was $41,000 as compared to $37,000 for the comparable quarter in 1991.

Income Taxes:

Income tax expense increased by $346,000 from the March 31, 1991 quarter to the same quarter for 1992. This increase was due to increased profitability in the current year, as well as increased levels of certain loan loss provisions in 1992 which are nondeductible for federal income tax purposes. The nondeductibility of such provisions was the primary reason for the increase in the effective tax rate from 44.19% for the 1991 quarter to 49.80% for the 1992 quarter.

In January 1992, the Internal Revenue Service completed its examination of Parkvale's 1988 and 1989 federal income tax returns. Parkvale is currently appealing the IRS treatment of the premium paid in connection with the acquisition of its Whitehall office in 1987. The maximum tax exposure on this issue is $68,000 for the two years. All other issues pertaining to both 1988 and 1989 have been settled with the IRS and reflected in the financial statements. While the final disposition of the Whitehall issue cannot be predicted at this time, it is not expected to result in a material effect on the results of operations.

Results of Operations - Comparison of Nine Months
Ended March 31, 1992 and 1991

For the nine months ended March 31, 1992, Parkvale had net income of $3.1 million versus $2.6 million for the comparable period in 1991, primarily due to a $2.7 million increase in net interest income. We continued to strengthen our general loan loss reserves with a provision of $2.5 million during the period.

Interest Income:

Parkvale had interest income of $54.4 million during the nine months ended March 31, 1992 and $52.3 million during the comparable period in 1991. The 4.0% improvement was attributable to increased interest earned on investments which increased by $3.0 million or 164.2%, partially offset by a $1.1 million or 23.7% reduction in interest earned on federal funds sold and repurchase agreements. The average investment in federal funds sold and repurchase agreements increased $11.5 million and the average investment portfolio increased $69.3 million primarily due to the cash received from the RTC in connection with the November 1991 Atlantic acquisition being invested in federal funds sold and various investment securities. The increase in the average interest-earning asset portfolio was offset by a decrease in the average yield from 9.60% to 8.70%.

Interest Expense:

Interest expense decreased $603,000 or 1.5% from the 1991 to the 1992 period. The decrease was due to a decline in the average rate paid on deposits and borrowings from 7.52% to 6.43% from the 1991 to the 1992 period partially offset by a $106.1 million increase in average deposits and borrowings. The increase in average interest-bearing liabilities was once again primarily related to the assumption of $122.5 million of Atlantic deposits and borrowings in November 1991, as well as the Grandview merger in September 1991.

Provision for Loan Losses:

Parkvale's provision for loan losses increased by $963,000 or 64.2% from the 1991 to the 1992 period. This increase was primarily the result of the strengthening of general loss reserves due to the continued weakness of the regional and national real estate markets. See also "Nonperforming Loans and Real Estate Owned."

Other Income:

Gain on sale of assets increased by $188,000 from 1991 to 1992. This increase was primarily due to sales of FHLMC stock in the current year as prices reached record highs, as well as the sale of low-yielding mortgage-backed securities in a prior quarter. These gains were offset somewhat by a loss on the sale of an adjustable mortgage fund. Fees, service charges and miscellaneous income combined for a net $115,000 increase over the prior period, of which $62,000 was attributable to accretion of negative goodwill acquired in the Grandview merger.

Other Expenses:

Compensation and employee benefits increased by $309,000 or 8.3%. Office occupancy increased by $190,000 or 16.3%. Office supplies, telephone and postage costs increased by $72,000 or 13.2% from the 1991 to 1992 period, and miscellaneous expenses increased $119,000 or 7.9%. These increases were primarily due to the effects of the Atlantic acquisition and Grandview merger. Marketing expense increased $74,000 from the 1991 period as Parkvale attempted to extend the maturities of its deposit base in the prevailing interest rate environment. Federal insurance expense also increased by $119,000 or 9.3% due to the larger deposit base. The OTS general assessment for overhead in 1992 was $117,000 versus $146,000 in 1991.

Income Taxes:

The combined state and federal effective tax rate for the nine months ended March 31, 1992 was 46.7% versus 43.3% for the comparable period in 1991. The higher effective tax rate was attributable to an increase of $963,000 in loan loss provisions in 1992 which are substantially nondeductible for federal income tax purposes.

Liquidity and Capital Resources:

Total assets increased by 20.2% from June 30, 1991 to March 31, 1992 due to the Grandview and Atlantic acquisitions in September and November 1991, respectively. Stockholders' equity was $39.7 million or 4.4% of total assets at March 31, 1992.

Effective December 7, 1989, FIRREA substantially changed the capital requirements applicable to savings associations. The regulatory capital standards imposed by FIRREA and regulations promulgated thereunder generally require savings institutions to maintain (i) tangible capital in an amount not less than 1.5% of the institution's adjusted total assets; (ii) core capital in an amount not less than 3% of the institution's adjusted total assets, and (iii) risk-based capital in an amount currently equal to 7.2% of risk-weighted assets subject to an increase up to 8% of risk-weighted assets effective January 1, 1993. At March 31, 1992, Parkvale was in compliance with all applicable regulatory requirements, with tangible, core and risk-based capital ratios of 4.1%, 4.3% and 12.2%, respectively. Parkvale's management does not anticipate difficulty in meeting the capital requirements in the future; however, there can be no assurance that this will be the case.

The current risk-based capital regulation does not contain an interest rate risk component as originally proposed. However, on December 31, 1990, the OTS published for comment a notice of proposed rulemaking which would incorporate an interest rate risk component into the risk-based capital rule. The proposed rule would require a savings institution to hold capital against interest rate exposure in an amount equal to 50% of the estimated decline in the market value of its portfolio equity that would result from an immediate 200 basis point increase or decrease, whichever causes a greater decline, in market interest rates. Portfolio equity is defined as the aggregate net market value of assets, liabilities and off-balance sheet items. The OTS proposal describes the methodologies and assumptions that would be used to estimate the market values of assets, liabilities and off-balance sheet financial instruments. The proposal also requests comment on how to include the interest rate risk component in the risk-based capital requirements. Proposed options include setting the credit risk component in the range of 6% to 8% and adding the proposed interest rate risk component. Another option would be to keep the 8% risk-based standard and to add an additional amount to cover interest rate risk. On August 13, 1991, OTS announced that it was delaying implementation of the above proposal until sometime in late 1992. If the proposal is adopted incorporating an interest rate risk component in addition to the existing risk-based capital requirement, Parkvale's capital requirement would increase from 7.2% to 8.5% of risk-adjusted assets at March 31, 1992. Because Parkvale's total risk-based capital was 12.2% of risk-adjusted assets at that date, Parkvale does not anticipate difficulty in complying with the new rule if it is adopted in its proposed form. It is not known at this time when the interest rate risk component will be adopted or in what form the final regulation will be and its effects on Parkvale.

On April 22, 1991, the OTS published for comment a proposal to increase the core capital requirement to between 4% and 5% of adjusted total assets for all but the most highly rated savings associations. The actual amount of required core capital would be determined by the OTS on a case-by-case basis after considering the institution's risk management systems and level of overall risk. Although Parkvale believes that its core capital requirement would be less than 5% if the amendments are adopted as proposed, it cannot be predicted at this time exactly where in the range of 4% to 5% Parkvale's core capital requirement would be. Because the Bank's core capital ratio was 4.3% at March 31, 1991, the proposed amendments could possibly require an increase in Parkvale's core capital.

The following table sets forth certain information concerning the Bank's regulatory capital at March 31, 1992:

	Tangible Capital	Core Capital	Risk-Based Capital
		(Dollars in Thousands)	
Equity Capital (1)	$39,168	$39,168	$39,168
Minus other intangible assets	1,504	1,504	1,504
Plus general valuation allowances			6,189
Plus other qualifying intangible assets		1,504	1,504
Plus qualifying subordinated debt			4,988
Total regulatory capital	37,664	39,168	50,345
Minimum required capital	13,682	27,409	29,810
Excess regulatory capital	$23,982	$11,759	$20,535
Regulatory capital as a percentage (2)	4.13%	4.29%	12.16%
Minimum capital required as a percentage (2)	1.50%	3.00%	7.20%
Regulatory capital as a percentage in excess of requirement	2.63%	1.29%	4.96%

---

(1) Represents equity capital of the consolidated Bank as reported to the OTS.

(2) Tangible capital and core capital are computed as a percentage of adjusted total assets of $912,114 and $913,618, respectively. Risk-based capital is computed as a percentage of adjusted risk-weighted assets of $414,032.

On December 19, 1991, President Bush signed into law the "Comprehensive Deposit Insurance Reform and Taxpayer Protection Act of 1991" (the "Act"). Possibly the most significant effect of this legislation on

Parkvale and other savings institutions is the inclusion of "Truth-in-Savings" provisions which establish certain disclosure and calculation requirements on savings accounts. Other areas of significant interest in the Act are deposit insurance funding and coverage; regulatory fees, assessments and examinations; capital adequacy; compensation standards; Qualified Thrift Lender test revisions; and attempts to limit the "too big to fail" policy. While the effects of the Act will be far-reaching, it is too early at this time to judge the ultimate impact, as many of the Act's provisions require regulatory action and/or clarification prior to implementation. Parkvale expects to fully comply with the various provisions of the Act as they are implemented.

Management is not aware of any trends, events or uncertainties that will have, or that are reasonably likely to have, material effects on Parkvale's liquidity, capital resources or operations.

Nonperforming Loans and Real Estate Owned

At March 31, 1992, Parkvale had total nonperforming loans and real estate owned ("REO") of $4.6 million versus $5.3 million at March 31, 1991. This decrease is primarily due to the sale of two REO properties with a combined book value of $1.1 million in the quarter ended December 31, 1991. Total nonperforming loans and REO also declined from $5.7 million at December 31, 1991 due to the resolution of a $1.4 million nonaccrual loan secured by an office building in the City of Pittsburgh. This loan was paid off in March 1992 at no loss to Parkvale. Loans are placed on nonaccrual status when in the judgement of management, the probability of collection of interest is deemed to be insufficient to warrant further accrual. All loans which are 90 or more days delinquent are treated as nonaccrual loans.

In addition, at March 31, 1992 Parkvale has classified $2.2 million of accrual loans, net of allocated general reserves, as substandard for regulatory purposes. These loans, while current or less than 90 days past due, have exhibited some problems which present cause for concern among management. Examples of these problems include irregular payment histories, collateral value less than remaining balances, investment properties having cash flows insufficient to service acquisition debt, and other financial problems of the borrower. These loans are continuously monitored with efforts being directed towards resolving the underlying problems and keeping the loans on performing status.

Impact of Inflation and Changing Prices:

The financial statements and related data presented herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. Unlike most industrial companies, substantially all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services as measured by the Consumer Price Index.

PART II - OTHER INFORMATION

Item 1.	Legal Proceedings	None
Item 2.	Changes in Securities	N/A
Item 3.	Defaults Upon Senior Securities	N/A
Item 4.	Submission of Matters to a Vote of Security Holders	None
Item 5.	Other Information	None
Item 6.	Exhibits and Reports on Form 8-K	
	(a) Exhibits	None
	(b) Reports on Form 8-K	

The registrant filed Form 8 dated January 9, 1992 to amend its Form 8-K dated November 15, 1991. Form 8 was filed in order to report pro forma financial information unavailable at the time of the Form 8-K filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned therunto duly authorized.

Parkvale Financial Corporation

DATE: May 1, 1992

By: Robert J. McCarthy Jr.
Robert J. McCarthy, Jr.
President and
Chief Executive Officer

DATE: May 1, 1992

By: Timothy G. Rubritz
Timothy G. Rubritz
Vice President - Treasurer
(Chief Financial Officer)

O 8015
Q-35240

92 15 2207

PROCESSED BY
07/22 SS
1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

O 92-223

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter ended March 31, 1992 Commission File Number 0-5486

PRESIDENTIAL LIFE CORPORATION
(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of incorporation or organization)

13-2652144
(I.R.S. Employer identification number)

69 Lydecker Street, Nyack, New York
(Address of principal executive offices)

10960 18
(Zip Code)

Registrant's telephone number, including area code 914 358-2300

Securities registered pursuant to Section 12(g) of the Act:

Title of Class	Name of Each Exchange On Which Registered
Common Stock, Par Value $.01 Per Share	National Association of Stock Dealers and Quotations (NASDAQ)

There were 48,397,987 shares of common stock, par value $.01 per share of the issuer's common stock outstanding as of the close of business on March 31, 1992 of which 19,785,118 shares are held as Treasury Stock.

The Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety days.

The aggregate market value of voting stock held by non-affiliates of the Registrant as of May 12, 1992 was approximately $133,232,198 based upon the closing price on that date.

INDEX

Part I - Financial Information Page No.

Consolidated Balance Sheets March 31, 1992 and December 31, 1991 3-4

Consolidated Statements of Income - For Three Months Ended March 31, 1992, 1991 and 1990 5

Consolidated Statement of Cash Flows - For Three Months Ended March 31, 1992, 1991 and 1990 6

Consolidated Statement of Capitalization and Stockholders' Equity For Three Months Ended March 31, 1992 7

Notes to Consolidated Financial Statements 8-18

Managements Discussion and Analysis of Financial Condition and Results of Operations 19-25

Part II - Other Information 26

Signatures 27

PRESIDENTIAL LIFE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 1992 (Unaudited)	December 31, 1991
ASSETS:		
Investments:		
Fixed maturities at amortized cost (market: 1992-$1,754,107,158 and 1991-$1,519,037,485) (Note 2)	$1,758,169,620	$1,558,113,212
Common stocks at market values (Cost: 1992-$37,909,744 and 1991-$10,527,125) (Note 2)	32,911,364	5,417,777
Real Estate (Note 4)	592,601	594,128
Policy Loans	20,519,851	25,317,113
Short-term investments (Note 5)	488,750,028	389,983,242
Other invested assets	48,583,398	47,159,826
Total	2,349,526,862	2,026,585,298
Cash	(6,512,792)	21,196,982
Accrued investment income	33,046,641	27,431,141
Agents' balances, net (Note 6)	131,059	134,930
Uncollected premiums	115,018	114,989
Reinsurance recoverable on paid losses	92,094	463,371
Other amounts due from reinsurers	52,964	220,812
Unamortized policy acquisition costs (Note 1)	57,606,128	58,116,553
Furniture and equipment, net (Note 7)	593,806	688,072
Deferred expenses of issuing notes	915,961	1,036,537
Amounts due from stockbrokers	0	209,825
Federal income taxes recoverable	3,271,140	4,981,889
Other assets	266,962	111,602
Assets held in separate account	7,224,362	7,665,706
TOTAL ASSETS	$2,446,330,205	$2,148,957,707
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Liabilities:		
Policy Liabilities:		
Policyholders' Account Balances (Note 1)	$1,422,146,080	$1,466,623,598
Future policy benefits:		
Life (Note 1)	36,548,971	35,580,259
Annuity (Note 1)	361,986,598	360,724,208
Accident and Health	37,023	34,974
Unpaid claims	2,902,295	2,875,918
Advance premiums	49,825	13,041
Other policy liabilities	73,381	73,743
Total	1,823,744,173	1,865,925,741
Deposits on policies to be issued	2,637,601	3,771,274
General expenses and taxes accrued	3,108,815	2,307,676
Unearned investment income	77,421	79,277
Federal income taxes payable (Note 10)	750,411	0
Deferred federal income taxes payable (Note 10)	21,407,200	20,290,000
Notes payable, long term (Note 8)	79,816,590	79,816,590
Dollar repurchase agreements	347,585,806	0
Other liabilities	904,969	2,258,902
Liabilities related to separate account	7,224,362	7,665,706
Total liabilities	2,287,257,348	1,982,115,166

(Continued)

	March 31, 1992 (Unaudited)	December 31, 1991
Stockholders' Equity: (Note 9)		
Capital stock ($.01 par value per share) authorized 100,000,000 shares, issued 48,397,987 shares in 1991 and 1992	483,980	483,980
Paid in surplus	2,910,964	2,910,964
Net unrealized investment gains (Note 3)	(14,697,437)	(14,766,805)
Unappropriated retained earnings	176,592,901	184,431,953
	165,290,408	173,060,092
Less, Treasury stock (19,785,118 shares in 1992 and 1991)	(6,217,551)	(6,217,551)
Total Stockholders' Equity	159,072,857	166,842,541
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$2,446,330,205	$2,148,957,707

The accompanying notes are an integral part of these financial statements.

PRESIDENTIAL LIFE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME

	THREE MONTHS ENDING MARCH 31 (Unaudited)		
	1992	1991	1990 (Restated)
REVENUES:			
Premiums:			
Life	$ 747,086	$ 833,626	$ 1,287,530
Annuity	1,515,843	5,313,299	46,809,056
Accident and Health	1,936	2,293	2,710
Mortality, surrender and other charges to policyholders	1,323,198	1,049,462	611,109
Net investment income (after deducting investment & interest expenses of $2,933,113 in 1992, $3,712,988 in 1991 & $5,123,948 in 1990)	41,821,470	58,301,407	66,600,744
Realized investment gains (Note 1)	(10,577,022)	5,563	(1,122,342)
Other income	1,572,810	2,361,840	2,086,906
TOTAL REVENUES	36,405,321	67,867,490	116,275,713
BENEFITS AND EXPENSES:			
Death and other life insurance benefits	1,410,621	1,505,052	1,345,072
Annuity benefits	9,080,078	8,951,329	6,846,302
Accident and health benefits	7,050	2,076	2,417
Interest credited to account balances	24,850,403	34,468,063	34,554,176
Other interest and other charges	120,762	390,847	739,372
Increase in liability for future policy benefits	2,233,151	6,912,509	49,545,692
Commissions to agents, net	316,648	1,317,101	3,787,008
General expenses and taxes	2,136,873	3,273,582	5,240,354
(Increase) in deferred policy acquisition costs	510,425	(206,642)	(3,344,484)
TOTAL BENEFITS AND EXPENSES	40,666,011	56,613,917	98,715,909
Income before income taxes	(4,260,690)	11,253,573	17,559,804
Provision for income taxes (Note 5)			
Current	2,461,160	7,314,000	5,800,000
Deferred	1,117,200	(458,000)	555,000
Adjustment for prior years--FASB 96	0	0	0
	3,578,360	6,856,000	6,355,000
Net income for the period	$(7,839,050)	$ 4,397,573	$ 11,204,804
Weighted average of shares outstanding at the end of the period giving effect to the 4 for 1 stock split on January 10, 1984, the 3 for 1 stock split on January 10, 1985 and the 1 for 1 stock splits on January 10, 1986 and January 9, 1987 and the 4 for 3 stock split on January 10, 1990	28,612,869	28,612,869	28,593,905
Net income per share	$ (.27)	$ .15	$ .39

The accompanying notes are an integral part of these financial statements.

PRESIDENTIAL LIFE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	THREE MONTHS ENDING MARCH 31 (Unaudited)		
	1992	1991	1990 (Restated)
OPERATING ACTIVITIES:			
Net income	$ (7,839,050)	$ 4,397,573	$ 11,204,804
Adjustments to reconcile net income to net cash provided by operating activities:			
Increase in accrued investment income	(5,615,500)	(4,220,718)	(13,266,000)
Increase in unamortized policy acquisition costs	510,425	(206,642)	(3,344,484)
Change in liability for future policy benefits	2,233,151	6,912,509	49,545,692
Change in unpaid claims and reinsurance recoverable	565,502	1,049,508	(254,420)
Change in other assets, liabilities, and accrued income taxes	1,942,901	5,007,745	1,770,994
Provision for deferred income taxes	1,117,200	(458,000)	(178,422)
Depreciacion and amortization	216,369	279,223	287,392
Net accrual of discount on bonds	(4,169,028)	(428,826)	(11,335,549)
Unrealized investment losses	11,500,000	8,879,758	2,261,119
Net Cash Provided From Operations	461,970	21,212,130	36,691,126
INVESTING ACTIVITIES:			
Purchase of long term investments	(355,270,452)	(235,229,882)	(461,654,614)
Sales of long term investments	120,370,490	190,097,444	346,211,002
Increase (decrease) in short term investments and policy loans	(93,969,524)	46,053,988	38,797,659
Purchase of property and equipment	0	(7,364)	(71,463)
Other items	(1,419,701)	(2,535,031)	(4,309,197)
Net Cash Used by Investing Activities	(330,289,187)	(1,620,845)	(81,026,613)
FINANCING ACTIVITIES:			
Dollar Repurchase Agreements	347,585,806	0	0
Increase (decrease) in long term debt	0	0	0
Increase (decrease) in policyholder account balances	(44,477,518)	(9,935,121)	65,469,100
Policyholders' deposits	(1,133,673)	(5,286,500)	(20,570,353)
Amounts due to stockbrokers	209,825	(576,277)	14,975,302
Dividends paid to shareholders	0	0	0
Other items	(66,997)	(1,259,037)	(1,105,101)
Net Cash Provided by Financing Activities	302,117,443	(17,056,935)	58,768,948
Increase in Cash	(27,709,774)	2,534,350	14,433,461
Cash at Beginning of Year	21,196,982	(13,234,269)	(24,025,320)
Cash at End of Period	$ (6,512,792)	$(10,699,919)	$ (9,591,859)

The accompanying notes are an integral part of these financial statements.

PRESIDENTIAL LIFE CORPORATION AND CONSOLIDATED SUBSIDIARIES
CAPITALIZATION AND STOCKHOLDERS' EQUITY
MARCH 31, 1992

Notes Payable July 15, 1993	16,590
Notes Payable October 25, 1993 Par Value	30,000,000
Notes Payable May 15, 1994 Par Value	49,800,000
Total Debt	$ 79,816,590

Stockholders' Equity	Number of Shares Outstanding	Amount
Common Stock	48,397,987	$ 483,980
Paid in Surplus		2,910,964
Net Unrealized Investment Gain (loss)		(14,697,437)
Unappropriated Retained Earnings		176,592,901
Total Stockholders' Equity		165,290,408
Treasury Stock	19,785,118	(6,217,551)
Net Stockholders' Equity		$159,072,857

PRESIDENTIAL LIFE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Principles of Consolidation

The consolidated financial statements include the accounts of Presidential Life Corporation (the "Company") and all its wholly owned subsidiaries. Intercompany transactions and accounts have been eliminated in the consolidated statements. The investments in subsidiaries are maintained in the accounts of the Company under the equity method of accounting.

B. Basis of Financial Statements

The accompanying financial statements have been presented in accordance with generally accepted accounting principles which as to the subsidiary life insurance company differs from statutory accounting practices permitted by state regulatory authorities.

(a) Policy Acquisition Costs

Commissions, expense allowances, underwriting and policy issue expenses and inspection report fees represent costs of acquiring traditional life insurance, universal life and investment type products vary with and are primarily related to the production of business, have been deferred. Traditional life insurance acquisition costs are being amortized over the premium paying period of the related policies using assumptions consistent with those used in computing liability for future policy benefits. Acquisition costs for universal life policies and annuities are being amortized over the estimated gross profits from surrender charges and investment, mortality and expense margins. Unamortized policy acquisition costs at March 31, 1992 and years ending December 31, 1991 and 1990 are summarized as follows:

	Quarter Ended March 31, 1992	Year Ended December 31, 1991	1990
Balance at the beginning of year	$58,116,553	$71,383,487	$64,776,605
Current periods costs deferred	515,488	4,652,729	12,615,979
Total	58,632,041	76,036,216	77,392,584
Less, amortization for the period	1,025,913	17,919,663	6,009,097
Balance at the end of the period	$57,606,128	$58,116,553	$71,383,487

The above normal amortization for the year ending December 31, 1991 reflects the higher than normal surrender activity on annuity business. When a policy is prematurely surrendered, the remaining capitalized cost is written off.

(b) Future Policy Benefits and Policyholders' Account Balances

The life insurance company, in 1988, adopted the provisions of FASB statement 97 entitled Accounting and Reporting by Insurance Enterprises for Certain Long Term Contracts. FASB 97 requires changes in accounting for revenues and expenses, benefit reserves, deferred policy acquisition costs for the Company's universal life insurance and other interest sensitive products and for investment products that do not involve mortality and morbidity risks. Under FASB 97, revenues for universal life-type policies and investment products consist of charges for cost of insurance, policy maintenance and surrenders assessed against policy account balances. Expenses include interest credited to policy account balances and benefits incurred in excess of policy account balances.

1. Summary of Significant Accounting Policies - continued

Benefit reserves for universal life-type policies and investment products are determined following a retrospective deposit method and consist primarily of policy values before surrender charges.

The liability of the insurance company for future policy benefits has been computed using a net level method including assumptions as to investment yields, mortality and withdrawals based on the insurance company's estimates. Interest rates assumed range from 5% to 8% on life insurance products. The reserves are graded to equal statutory values after 30 years.

The amount of liability for future policy benefits as of March 31, 1992, net of reinsurance ceded, is $398,572,592.

As explained in this footnote the basis for reporting revenue and expenses of universal life and investment products have been changed under FASB 97. Benefit reserves are now represented as policy account balances. These account balances are summarized as follows:

	Quarter Ended March 31,	Year Ended December 31,	
	1992	1991	1990
Account balances at beginning of year	$1,466,623,598	$1,802,111,425	$1,711,697,436
Additions to account balances during the period	38,079,902	253,499,973	336,472,122
Total	1,504,703,500	2,055,611,398	2,048,169,558
Charges against account balances during the period	82,557,420	588,987,800	246,058,133
Account Balance at the End of the Period	$1,422,146,080	$1,466,623,598	$1,802,111,425

Interest rates credited to account balances ranged from 5.50% to 10.75% in 1991.

2. Fixed Maturities and Equity Securities

Fixed maturities held for investment include bonds and redeemable preferred stocks and are carried at amortized cost, net of allowances for security losses and reduced when necessary for other declines in value considered to be temporary. Management believes the Company has the ability to hold securities to maturity, and it is the intent of Management to hold such securities for the foreseeable future.

When a decline in value of a fixed maturity is considered to be other than temporary or are held for sale, the investment is reduced to its net realizable value, which becomes the new cost basis. The amount of reduction is recorded as a realized loss. A recovery from the adjusted cost basis is recognized as a realized gain only at sale.

The Company has restated income for the quarter ending March 31, 1990 by transferring $2,261,119 reflected as unrealized investment losses in stockholders' equity to the income statement and included with realized investment losses. Retained earnings have been reduced by a like amount. Net income per share for the quarter ending March 31, 1990 has been reduced from $0.47 per share to $0.39 per share.

2. Fixed Maturities and Equity Securities - continued

The amount of fixed maturities as shown in the balance sheet as of March 31, 1992 consists of a statement value of $1,850,263,300 less allowance for investment losses of $92,093,680, for a net fixed maturities value of $1,758,169,620.

The statement value of fixed maturities as of December 31, 1991 was $1,638,706,892 less allowance for investment losses of $80,593,680, for a net fixed maturity of $1,558,113,212.

The estimated market values were $1,754,107,158 on March 31, 1992 and $1,519,037,485 on December 31, 1991.

The National Association of Insurance Commissioners (NAIC) has prescribed for statutory accounting reporting a category 6 representing bonds in or near default. The amount to be carried in the statutory financial statements is the lower of amortized cost or market value and the reduction is recorded in surplus. The company has adopted this method of reporting when the decline is deemed to be temporary, not held for sale, and has reported the reduction in Stockholders' Equity as described in Footnote No. 3 as $10,393,096 on March 31, 1992 and $10,351,495 on December 31, 1991, respectively.

Equity securities consist of common stock. They are carried at market value and the related unrealized gains and losses, net of related taxes, are credited or charged to Stockholders' Equity. The amount charged to Stockholders' Equity as described in Footnote No. 3 is $4,304,341 on March 31, 1992 and $4,415,310 on December 31, 1991, respectively.

When the decline in value of equity securities is considered to be other than temporary or are held for sale, the investment is reduced to its net realizable value, which becomes the new cost basis. The amount of reduction is recorded as a realized loss. The recovery from the adjusted cost basis is recognized as a realized gain only at sale.

The cost of equity securities is $37,909,744 on March 31, 1992 and $10,527,125 on December 31, 1991.

The following table lists the carrying values of securities owned of any one issuer (before the allowance for investment losses) that aggregate 10% or more of Stockholders' Equity as of March 31, 1992.

	Amounts At Which Shown In Balance Sheet	
	Fixed Maturities	Equity Securities
U.S. Government & Government Agencies	$516,673,349	
AFG Industries	25,000,000	
American Standard	21,291,713	
American Stores	19,925,022	
Baxter International	19,880,604	
Caterpillar Inc.	16,357,263	2,095,000
Coastal Corporation	26,238,461	
Colt Industries	17,251,035	
Conagra Inc.	19,881,931	
Enron Corp.	25,000,000	
Federal Express	19,981,635	
W.R. Grace & Co.	19,908,211	
International Paper	19,940,302	1,472,500
Lexmark International	20,000,000	
MCI Communications	34,127,050	

2. Fixed Maturities and Equity Securities - continued

	Amounts At Which Shown In Balance Sheet	
	Fixed Maturities	Equity Securities
RJR Nabisco	26,827,625	703,807
Reliance Group Holdings	18,149,235	
Rexene Products	21,420,000	
Storer Communications	25,696,495	
Supermarkets General	19,346,144	
Time Warner Inc.	30,980,557	

3. Investment Information

(a) Summary of Investments

The following table lists the amortized cost and estimated market values of invested assets as of March 31, 1992.

Type of Investment	Amortized Cost	Estimated Market Value	Amount at Which Shown in the Balance Sheet
Fixed Maturities:			
Bonds and Notes:			
United States Government and Government Agencies and Authorities	$ 516,508,817	$ 507,629,107	$ 516,508,817
States, Municipalities and Political Subdivisions	0	0	0
Foreign Government	0	0	0
Public Utilities	61,616,053	67,082,300	61,616,053
All Other Corporate	1,272,138,430	1,179,395,751	1,272,138,430
Allowance for Investment Losses	(92,093,680)	0	(92,093,680)
Total Fixed Maturities	$1,758,169,620	$1,754,107,158	$1,758,169,620
Equity Securities:			
Common Stocks:			
Public Utilities	$ 0	$ 0	$ 0
Banks, Trusts & Insurance Companies	155,325	186,675	186,675
Industrial and Miscellaneous	37,754,419	32,724,689	32,724,689
Total Equity Securities	$ 37,909,744	$ 32,911,364	$ 32,911,364
Mortgage Loans on Real Estate	0	0	0
Real Estate	592,601		592,601
Policy Loans	20,519,851		20,519,851
Short Term Investments	488,750,028		488,750,028
Other Invested Assets	48,583,398		48,583,398
Total Investments	$2,354,525,242		$2,349,526,862

(b) Realized and Unrealized Investment Gains

The basis of determining investment gains or losses on fixed maturities is amortized cost. The basis for determining investment gains or losses on common stock is purchase cost. The following table sets forth the realized investment gains or losses for the three quarters ended March 31, 1992, 1991 and 1990. Cost is determined on a specific identification basis.

3. Investment Information - continued

	Quarter Ended March 31,		
	1992	1991	1990 (Restated)
Realized gains (losses):			
Fixed maturities	$ 473,629	$ 2,586,539	$ 1,149,592
Equity securities	31,865	6,322,547	188,523
Other	417,484	(23,765)	(199,338)
Provision for investment losses	(11,500,000)	(8,879,758)	(2,261,119)
Total Realized Gains (Losses) on Investments	$(10,577,022)	$ 5,563	$ (1,122,342)

	Quarter Ended March 31, 1992	Year Ended December 31, 1991
Increase (decrease) in unrealized investment gains:		
Fixed Maturities	$ 35,013,264	$ 249,089,764
Unrealized gains (losses) reflected in Stockholders' Equity:		
Fixed Maturities	$(10,393,096)	$ (10,351,495)
Equity Securities	(4,304,341)	(4,415,310)
Total	(14,697,437)	(14,766,805)
Less, deferred income taxes	0	0
Net Reflected in Stockholders' Equity	$(14,697,437)	$ (14,766,805)

The statement value of fixed maturities at March 31, 1992, by contractual maturity, are as follows. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

	March 31, 1992 Statement Value
Due in one year or less	$ 13,263,210
Due after one year through five years	218,522,541
Due after five years through ten years	423,360,002
Due after ten years	984,900,143
Total Debt Security	$1,640,045,896
Preferred Stock	118,123,724
Total Fixed Maturity	$1,758,169,620

Following is a summary of the allowance for investment losses:

	Quarter Ended March 31,	Year Ended December 31,	
	1992	1991	1990 (Restated)
Fixed Maturities:			
Balance, beginning of year	$ 80,593,680	$ 32,318,450	$ 2,886,376
Provisions for investment losses	11,500,000	50,618,806	30,474,874
Investments sold	0	2,343,576	1,042,800
Balance, end of period	$ 92,093,680	$ 80,593,680	$ 32,318,450
Equity Securities:			
Balance, beginning of year	$ 694,039	$ 0	$ 0
Provisions for investment losses	0	694,039	0
Investments sold	0	0	0
Balance, end of period	$ 694,039	$ 694,039	$ 0

3. Investment Information - continued

(c) Investment Income

Major categories of investment income are summarized as follows:

	Quarter Ended March 31,		
	1992	1991	1990
Fixed maturities	$ 39,078,718	$ 55,498,919	$ 62,777,674
Equity securities	131,831	239,314	310,935
Short term investments	3,579,109	5,545,321	6,229,810
Other investment income	1,964,925	730,841	2,406,273
	44,754,583	62,014,395	71,724,692
Less investment expenses	2,933,113	3,712,988	5,123,948
Net Investment Income	$ 41,821,470	$ 58,301,407	$ 66,600,744

The statement value of non-income producing fixed maturities for more than twelve months at March 31, 1992 were $27.5 million and March 31, 1991 were $8 million.

4. Real Estate

The Company's investment in real estate includes two buildings in Nyack, New York, which are occupied entirely by the Company and its subsidiary. The investment is carried at purchase cost plus expenses incurred in connection with the acquisition. Depreciation has been provided on a straight line basis at the rate of 4% per annum for one building and 5% per annum for the other. Depreciation on building improvements is taken at 10% per annum. Accumulated depreciation amounted to $178,470 at March 31, 1992 and $176,944 at December 31, 1991.

In 1980 the Insurance Company purchased unimproved land in Nyack, New York for $359,699 in cash and has added minor improvements amounting to $49,268 since 1980. In 1985 the Company purchased property in West Palm Beach, Florida for $119,974 in cash.

5. Short Term Investments

The investments consist primarily of United States Treasury Notes and corporate debt issues maturing in less than one year and are reflected at cost plus accrual of discount where applicable.

6. Agents' Balances

The advances and loans to agents are secured by commissions payable to the agents. Therefore, no provision has been made for possible uncollectible balances.

7. Furniture and Equipment

Furniture and equipment is carried at cost and depreciated on a straight line basis over a period of five to ten years except that transportation equipment is depreciated over a period of three years. Accumulated depreciation amounted to $3,602,570 on March 31, 1992 and $3,769,871 on December 31, 1991.

8. Notes Payable, Long Term and Short Term

The Company has completed several tender offers to stockholders to purchase its own stock by issuing notes as follows:

Date of Note	Maturity Date	Rate of Interest	No. of Shares	Price per Share	Amount of Notes	Annual Interest
7/16/83	7/15/93	13.0%	474	35.00	16,590	$2,157
			474		$16,590	$2,157

The Notes maturing July 15, 1991 have matured and were paid in cash on that date.

The Company had also completed an offering to the public of subordinated notes in 1986 as follows:

Date of Note	Maturity Date	Rate of Interest	Price to Public	Par Value of Notes	Annual Interest
5/15/86	5/15/94	11.125%	99.348%	$49,800,000	$5,540,250

The original issue discount as well as any acquisition expenses incurred with acquiring the notes is being amortized over the period of the note, eight years.

The gross acquisition expense at March 31, 1992 was $2,000,141 (of which $1,625,000 was the underwriters discount) less amortization of $1,408,288.

In October 1988, the Company completed a private placement offering of $30,000,000 senior term notes due October 25, 1993. The interest rate is variable and defined as the London Inter Bank Offered Rate (LIBOR) plus an applicable margin and payable each January 26, April 26, July 26 and October 26. The interest rate is set by a LIBOR period and is defined as the period which shall commence on and include the interest payment date for the immediately preceding LIBOR period and will end on and include the April 25, July 25, October 25 or January 25, immediately following such interest payment date.

Applicable margin for each LIBOR period is determined by the Trustee on the tenth business day prior to the interest payment date for that LIBOR period, in accordance with the chart below and based upon the private rating category assigned by Standard and Poor's Corporation to the notes.

Standard and Poor's Rating	Applicable Margin
AA	0.75%
A	1.00%
BBB	1.25%
Initial Rating	1.50%
Lower than Initial Rating	1.75%

The interest rate for LIBOR and applicable margin for 1991 and 1992 were as follows:

Period	LIBOR Rate	Applicable Margin	Total
January 28, 1991 through April 25, 1991	7.0156	1.50	8.5156
April 26, 1991 through July 25, 1991	6.2500	1.50	7.7500
July 26, 1991 through October 25, 1991	6.1250	1.50	7.6250
October 26, 1991 through January 25, 1992	5.5000	1.50	7.0000
January 26, 1992 through April 25, 1992	4.2500	1.50	5.7500

8. Notes Payable, Long Term and Short Term - continued

The private rating category assigned by Standard and Poor's Corporation was changed from initial rating of BB+ to BBB- for the LIBOR period beginning July 25, 1989. The LIBOR period beginning January 27, 1992, said rating was changed to BB-.

Any acquisition expenses incurred in acquiring the notes is being amortized over the period of the note, five years.

The gross acquisition expenses at March 31, 1992 was $1,023,500 less amortization of $699,392.

The Company has repurchased the following notes as of March 31, 1992:

Note	Par Value	Cost	Year Acquired
11.125% due 1994	200,000	181,595	1990

The notes acquired in 1990 were retired in 1990.

As of December 31, 1990, the Company owed $1,000,000 to the Bank of New York, under a demand note on which interest accrues at the Bank of New York's prime rate. Said Note was repaid in full on July 3, 1991.

9. Stockholders' Equity

The Company has been acquiring shares of its own stock on the open market for cash and notes to be held as Treasury Stock. The acquisitions have taken place as follows:

	Year	Number of Shares	Purchase Cost
	1974 thru 1980	172,310	$ 549,894
	*1981	89,579	1,791,580
	1982	16	440
	*1982	61,760	1,698,404
	1983	76	1,970
	*1983	41,407	1,039,915
4 for 1 stock split	1984	918,819	0
	1984	11,600	78,684
3 for 1 stock split	1985	2,470,984	0
2 for 1 stock split	1986	3,704,676	0
2 for 1 stock split	1987	7,406,852	0
	1987	149,300	1,456,351
	1988	100	925
	1989	0	0
4 for 3 stock split	1990	4,951,295	0
	1990	0	0
	1991	0	0
	1992	0	0
		19,978,774	$6,618,163
Less, sold under stock options and warrants 1978 through 1992		193,656	400,612
Total at March 31, 1992		19,785,118	$6,217,551

*Acquired for Notes and included in 1983, 20,812 shares acquired from Presidential Life Insurance Company for $520,300 in Notes which matured on July 15, 1991.

8. Notes Payable Long Term and Short Term - continued

Presidential Life Insurance Company has purchased for investment purposes on the open market 295,000 shares of the Parent's common stock during 1990. During 1991 the Life Insurance Company sold on the open market 105,000 shares leaving 190,000 shares at an average cost of $8.98 per share. The stock has been included with other common stock investments, not eliminated in the consolidation, and valued at market value.

The consolidated statutory retained earnings was $109,627,804 on March 31, 1992, $92,866,618 on March 31, 1991 and $116,940,432 on March 31, 1990. The consolidated statutory earnings amounted to $6,346,528 on March 31, 1992, $17,858,788 on March 31, 1991 and $13,863,301 on March 31, 1990.

The surplus of the Insurance Company which was available to the Company at March 31, 1992 amounted to $136,251,954. In addition, payments of dividends to the parent Company are subject to possible disapproval by the state regulatory authority.

10. Federal Income Taxes

The Company filed a consolidated income tax return together with its non-life insurance subsidiary for 1990. There was no consolidated liability for that year. The life insurance company for 1992 and 1991 will be included in the consolidation.

	Three Months Ended March 31,		
	1992	1991	1990
Current provision for taxes on operations	$ 2,158,160	$ 4,575,000	$ 5,425,800
Current provision for taxes on investment gains	303,000	2,739,000	374,200
Provision for deferred taxes	1,117,200	(458,000)	555,000
Total Provision for Taxes	$ 3,578,360	$ 6,856,000	$ 6,355,000

The following is a reconciliation of income before income taxes as reflected in the income statement with income subject to federal income taxes for each of the three months ended as indicated.

	Three Months Ended March 31,		
	1992	1991	1990
Income before taxes	$ (4,260,690)	$11,253,573	$17,559,804
Add, non-deductible realized and unrealized investment losses	(11,500,000)	(8,879,758)	(2,261,119)
Miscellaneous timing differences and non-deductible or other taxable items	3,300,000	3,500,000	3,340,000
GAAP taxable income	$ 10,539,310	$20,483,331	$18,638,685
Effective tax rate on GAAP taxable income	34%	34%	34%

There is reflected in the balance sheet a federal income tax recoverable as at December 31, 1991 which is attributable to overpayment of estimated taxes in the amount of $4,981,889. An escrow fund will be required to be set up for $3,080,000 of this refund.

As of March 31, 1992 this amount has decreased to $3,271,140 of which the entire amount will be set up in the escrow fund. The difference of $1,901,889 was used to reduce the liability for March 31, 1992.

10. Federal Income Taxes - continued

Under provisions of the federal income tax laws in effect through the year 1983, a life insurance company was required to set aside certain amounts in a "policyholders' surplus account". These amounts were not taxed at the time they were set aside but may, under certain conditions, become taxable at a future date. There are no conditions imminent that would require the payment of taxes on "policyholders' surplus" in the foreseeable future and no provision for taxes has been made thereon. The amount of the "policyholders' surplus account" as at December 31, 1983 amounted to $2,901,000 and has not changed to this date.

11. Stock Option Plan

The Company has adopted an incentive stock option plan recommended by the Board of Directors and approved by the stockholders in 1984. This plan grants options to purchase common stock of the company to officers and key employees. Option prices are 100% of the fair market value at date of grant. The following schedule shows all options granted, exercised, expired and exchanged and is adjusted for stock splits which occurred in 1985, 1986, 1987, and 1990.

The original shares of common stock authorized in 1984 was 40,000 shares, adjusted for stock splits are now 640,000 shares.

At the May 30, 1990 Board of Director's meeting, the Board approved an exchanged offer of surrendering any remaining unexercised stock options granted to be exchanged for a like number of shares of common stock at the fair market value at date of grant.

At the November 20, 1991 Board of Directors meeting, the Board approved an exchange offer of surrendering any remaining unexercised stock options granted to be exchanged for a like number of shares of common stock at the fair market value at date of grant.

The following is a summary of the options granted as of March 31, 1992:

Date of Grant	Exp. Date of Grant	No. Shares Granted	No. Shares Exercised	No. Shares Expired	Remaining Shares to be Exercised	Option Price	Total Amount of Option
1/11/85	1/11/90	68,800	49,731	19,069	0	$2.4375	$ 0
3/20/85	3/20/90	10,667	3,603	7,064	0	3.6563	0
5/29/85	5/29/90	3,200		3,200	0	4.6875	0
8/28/85	8/28/90	533	133	400	0	3.4688	0
9/01/85	9/01/90	93,333	93,333		0	3.4688	0
3/26/86	3/26/91	31,534	6,770	24,764	0	6.1875	0
8/27/86	8/27/91	1,667	333	1,334	0	8.2500	0
12/29/86	12/29/91	1,600		1,600	0	9.8438	0
3/25/87	3/25/92	4,734		4,400	0	16.3125	0
4/23/87	4/23/92				0	14.4375	0
5/27/87	5/27/92				0	13.5000	0
12/14/87	12/14/92				0	6.7500	0
12/23/87	12/23/92	667	334		0	6.7500	0
3/30/88	3/30/93	16,267	1,622	8,868	267	7.8750	2,103
# 3/30/88	3/30/93	16,500	16,500		0	7.8750	0
9/15/88	9/15/93				0	8.2500	0
11/29/89	11/29/94	2,400		1,866	0	13.9688	0
#12/15/89	12/15/94				0	13.9688	0
5/30/90	5/30/95	34,732		7,400	200	6.5000	1,300
# 5/30/90	5/30/95	136,834			0	6.5000	0
11/20/91	11/20/96	33,350			33,350	4.8750	162,581
11/20/91	11/20/96	Exchange		800	51,042	4.8750	248,830
#11/20/91	11/20/96	Exchange			138,834	4.8750	676,816
		476,818	172,359	80,765	223,693		$1,091,630

#Non-Statutory

11. Stock Option Plan - continued

The following are stock options exercised during the first three months of 1992 and the preceding two years.

Year	Number of Shares	Average at Which Exercised	Amount
1991	None		$ 0
1990	20,062	$7.53	151,098

Managements Discussion and Analysis of Financial Condition and Results of Operations

General

The first quarter of 1992 has not shown any significant resurgence in the economy and the insurance industry is still facing a crisis in its confidence caused by a number of companies placed into conservatorship during 1991.

Presidential Life Insurance Company in conformity with accounting prescribed or permitted by the Insurance Department of the State of New York, achieved an after tax statutory profit of $7.7 million. The Company has reduced its junk bond holdings by approximately $82.7 million and will continue to reduce said holdings for the remainder of 1992, remain in compliance with New York Regulation 126, the best test of liquidity, solvency and claims paying ability of a life insurance company, and have reduced our surrenders to a normal level.

Except for home office facilities, the Company does not have any real estate, no mortgages and no guaranteed investment contracts (GIC's).

The Insurance Company's 1991 rating from A.M. Best and Company, an independent rating agency, is B+ (Very Good) and we are awaiting to receive our 1992 rating sometime in May of 1992. Although the 1991 rating was a downgrade from our previous rating, the Company feels that it was inevitable given the pressures that rating agencies are experiencing, arising from high ratings assigned to life companies now in conservatorship.

Under Generally Accepted Accounting Principles (GAAP), the Company had a loss for 1992 of $7.8 million. The various differences between Statutory and GAAP Accounting are acquisition expenses and allowances for investment losses as outlined in our letter of November 1, 1991.

The amount of acquisition expenses charged to operations for the three months ended March 31, 1992, net of current years deferral, was $510 thousand due to prematurely surrendered policies, when the capitalized cost is written off. This amount is considerably less than the amount charged for the entire year of 1991 and is attributable directly to the amount of surrenders returning to normal levels. (See Footnote No. 1(a) in Notes to Financial Statements).

Additionally we charged losses on non-performing securities to the income statement. For the quarter ending March 31, 1992, the charge was $11.5 million. These items were the major contributors to the loss as of March 31, 1992.

The statement values of fixed maturities were $1,558,113,212 whose estimated market values were $1,519,037,485 at December 31, 1991, while statement values were $1,758,169,620 whose estimated market values were $1,754,107,158 at March 31, 1992. This represents an unrealized investment gain in fixed maturities of $35,013,265 as mentioned in Footnote No. 3(b).

The Company is presenting the Financial Statements incorporating the changes prescribed by the Financial Accounting Standard Board ("FASB") Nos. 95, 96 and 97.

FASB's 95 changes the statement of Changes in Financial Condition to a statement of Cash Flows.

FASB's 96 changes the method used in calculating a deferred federal income tax. The method currently used is to calculate the deferred federal income tax using the current and future years tax rates, recomputing the prior years taxes at the current and future years tax rates and showing this adjustment as a separate line entry in the current Statement of Operations.

FASB's 97 first change is to incorporate as part of the Company's Revenue pre-tax Realized Investment Gains and Losses in the Statement of Income.

The second change defines three classifications of life insurance and annuity products to universal life type policies, limited payment policies, and investment products and prescribes a new accounting method for each product classification. These changes include, among other methods, new methods of determining reserves, new approaches to amortized deferred policy acquisition costs, and new definitions of revenue and expenses.

The Company has restated income for the quarter ending March 31, 1990 by transferring $2,261,119 reflected as unrealized investment losses in Stockholder's Equity to the income statement and included with realized investment losses. Retained earnings have been reduced by a like amount. Net income per share for the quarter ending March 31, 1990 has been reduced from $0.47 per share to $0.39 per share.

Under FASB 97 the Insurance Company's total premium revenue was $3,588,063 of which Life and Accident and Health premium was $749,022 or 21%, annuity premium was $1,515,843 or 42% and mortality, surrender and other charges were $1,323,198 or 37% at March 31, 1992.

Under Statutory Accounting procedures, prescribed by the National Association of Insurance Commissioners and the New York State Insurance Department, the Insurance Company's total gross premium and annuity fund deposit without deducting for reinsurance ceded was $10,480,106 of which $3,023,108 or 29% was from Life and Accident and Health insurance premiums at March 31, 1992.

The total gross annuity premium income and annuity fund deposits was $7,456,998 or 71% of total premium and annuity fund deposit income. Single Premium Annuity contracts premium income was $3,804,122 or 51% while Flexible Premium Retirement Annuities and our Variable Annuity premiums were $3,430,964 or 46% at March 31, 1992. Other Fund Deposits totaled $221,912 or 3% for the same period.

The annuity gross premium and annuity fund deposits from Single Premium Annuity contracts was $4,026,034 of which $1,264,674 or 31% has no full or partial surrender provisions, however, a settlement option can be elected.

Three Months 1992 Compared to Three Months 1991 and 1990

The Company's total revenue for 1992 was $36 million as compared to $67.9 million in 1991 and $116 million in 1990. This income represents a 47% decrease over 1991 and 70% comparing 1992 to 1990. The major components that represent the decrease of 47% is annuity premiums, net investment income and realized investment losses.

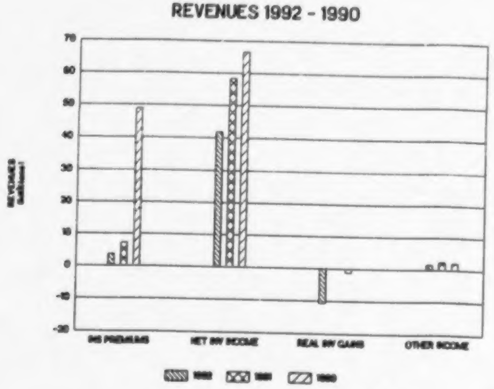
The net investment income decline of 28% from 1991 is a result of the slight reduction of our asset base, an increase of non-performing bonds in the portfolio, and a reduction in the rate of return on new purchases of securities that were rolled over from matured securities. The ratio of net investment income to mean assets for the three months ended March 31, 1992, 1991 and 1990 were 8.9%, 10.4% and 11.9% respectively for the Insurance Company.

The Insurance Company has lowered its credited rate of interest on new monies to a current 7% on its Single Premium Deferred Annuity No Bailout policy and has reduced rates overall on all other interest sensitive products. The renewal rates, on old monies, has also been reduced on their respective renewal dates. The Insurance Company's average credited rate for reserves and account balances for the three months ended March 31, 1992, 1991 and 1990 were 6.8%, 7.8% and 7.7% respectively thereby providing a positive spread ratio.

Realized investment losses for the three months ended March 31, 1992 were $10.6 million compared to $5 thousand profit in 1991 and a restated loss of $1.1 million in 1990. The components of the 1992 loss was a realized gain of $923 thousand and a provision for investment losses of $11.5 million. For additional information please refer to Notes 2 and 3 in Notes to Financial Statements.

Other income decreased by 33% to $1.6 million in 1992 compared to $2.4 million in 1991 and decreased 25% comparing 1992 to 1990.

The following graph illustrates the various components of revenue for the three months ended March 31, 1992, 1991 and 1990.



The Company's total benefits, selling, general and administrative expenses for the three months ended March 31, 1992 were $40.6 million as compared to 1991 $56.6 million and 1990 $98.7 million.

Benefits to policyholders which includes interest credited to account balances and the increase in liability for future policy benefits decreased by 28% over 1991 and 59% comparing 1992 to 1990.

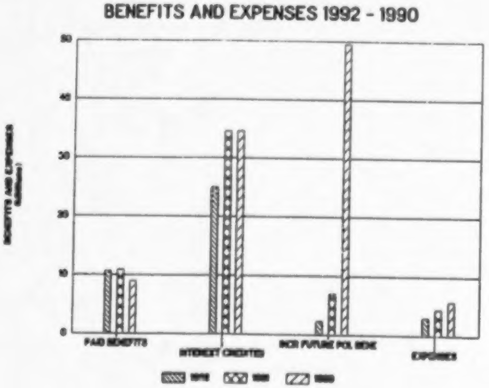
Annuity contracts gross surrenders without deducting for reinsurance ceded as reported under Statutory Accounting procedures, amounted to $55.6 for the three months ended March 31, 1992 compared to $59 for 1991 and $35.6 for 1990. Surrenders, originally caused by policyholders concern about the Company's junk bond portfolio are now attributable to the general crisis in confidence experienced by the insurance industry. The Company has an active conservation committee working on this issue. Any adverse growth in surrenders will adversely affect the Company.

Selling, general and administrative expenses decreased by 30% for the first three months over 1991 and 46% comparing 1992 to 1990. The components of this category are commissions, general expenses and taxes, and deferred acquisition expenses. The following schedule shows these components for the three months ended March 31, 1992, 1991 and 1990.

	Three Months Ended March 31,		
	1992	1991	1990
Commissions	$ 316,648	$ 1,317,101	$ 3,787,008
Expenses and Taxes	2,136,873	3,273,582	5,240,354
Deferred Acquisition Expenses	510,425	(206,642)	(3,344,484)
Total	$ 2,963,946	$ 4,384,041	$ 5,682,878

Commissions and deferred acquisition cost (see Note 1) have a direct relationship to premium income and surrenders to measure the appropriate increase or decrease. Expenses and some taxes are measured by processing additional business on the same administration systems thereby reducing cost as evidenced by 1992 versus 1991, a decrease of approximately 32%.

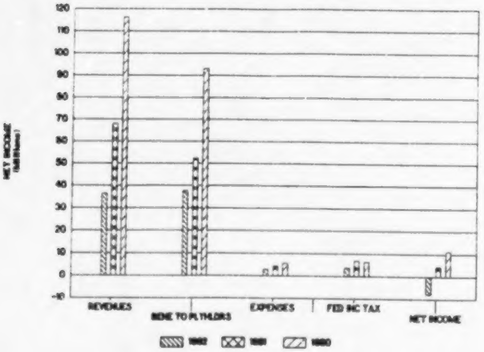
The following graph illustrates the various components of benefits and expenses for the three months ended March 31, 1992, 1991 and 1990.



The Company's net loss for the first three months ended March 31, 1992 was $7.8 million as compared to a gain of $4.4 million for 1991 and a gain restated of $11.2 million for 1990. The realized capital losses pre-tax (see Note 3) were $10.6 million for 1992, $5.5 thousand gain for 1991 and restated loss of $1.1 million for 1990.

The following graph illustrates the components of net income for the three months ended March 31, 1992, 1991 and 1990.

NET INCOME 1992 - 1990



The Company's assets exceeded $2.4 billion at March 31, 1992. The Insurance Company entered into a Mortgage Backed Securities Dollar Roll Repurchasing Agreement. A dollar roll or dollar repurchasing agreement involves the sale of mortgage backed securities while simultaneously contracting to purchase a substantially similar certificate for a forward settlement at a lower dollar price. The proceeds received from this transaction are used to purchase short term securities. The sale and repurchase of a similar security are usually 1 to 3 months but not greater than 1 year. This transaction is recorded in the balance sheet as short term investments and a liability for dollar repurchase agreements.

After adjusting the Company's assets for the liability for dollar repurchase agreements of $347.5 million at March 31, 1992, the Company's assets were $2.1 billion, a decrease of approximately $50 million. This reduction in our asset base is attributable to a decrease in sales, a decrease in investment income, and a writedown in the statement value of additional securities that are non-performing (see Footnote No. 3).

The New York Insurance Department promulgated Regulations 126 and 130 in 1986 and 1987 amended in 1991, respectively.

Regulation 126 requires that New York companies furnish annually an actuarial certification that the Life Insurance Company's assets and liabilities are matched for cash flows and that it is able to meet its obligations to policyholders under a variety of prescribed interest rate scenarios. This filing is then reviewed by the actuaries of the State of New York Insurance Department. All our prior submissions have been approved. The filing for the year ending December 31, 1991 was submitted by the Company's Senior Vice President and Actuary to the Department on February 26, 1992.

Management is of the opinion that this is an extremely important test of the Insurance Company's financial strength. New York is the only state requiring this certification.

In addition to passing the rigorous standard of New York State's Regulation 126, the Insurance Company performed additional tests in 1991, using the Regulation 126 format. In June of 1990, the National Association of Insurance Commissioners promulgated a requirement of much higher reserves on bonds. Due to the magnitude of the increase, the additional reserves will be phased in over five years, 20% per year, starting in 1991. In our additional testing we used the ultimate annual contribution to this reserve, the one required in 1995, and assumed a default cost of 200% of that contribution for all years and further assumed that 70% of our annuities would surrender in a twelve month period, a very unlikely scenario. Using these assumptions the Insurance Company still had a profit in every one of the seven interest rate scenarios prescribed by Regulation 126.

The New York State Insurance Department promulgated Regulation 130 which limits the purchase of high yield/high risk securities by New York domiciled life insurance companies. At March 31, 1992 we continue to be in full compliance with this regulation.

The National Association of Insurance Commissioners ("NAIC") through the Securities Valuation Office ("SVO") rates most debt securities for the insurance industry. Their purpose in rating securities is to establish and monitor benchmarks for compliance with statutory accounting requirements for life insurance companies. The Company and its Life Insurance subsidiary use these standards to account for their holdings of debt securities. Recently, in 1990, the NAIC changed its rating categories from four to six, with the first two categories considered investment grade, category three is considered medium grade, and the remaining three categories non-investment grade.

Both the Company and its subsidiaries portfolios contain high yield/high risk bonds which were purchased to achieve a more favorable investment yield. At March 31, 1992 total debt securities, including short term, held by the Company and its Life Insurance subsidiary was approximately $1.8 billion with approximately 33% considered non-investment grade based on the new NAIC standards. A further breakdown shows that of the three NAIC non-investment grade categories the Life Insurance Company's holding in the lower two-thirds of the non-investment grade spectrum was approximately 9.6% of its portfolio.

At March 31, 1992 the statement values of debt securities in default on the Company and its Life Insurance subsidiaries books was $4 million and $68 million respectively. In addition, the market for high yield/high risk securities is thinly traded. The value of the high yield portfolio declined during 1990, and has recovered significantly in 1991, but there were several defaults. While high yield/high risk bonds continue to be buoyant, the Company believes that continued market volatility and the possibility of additional defaults could adversely affect the Company.

As in 1990 and 1991, the Company reduced its holding of high yield/high risk securities in 1992 and plans to continue reductions in 1992.

Liquidity and Capital Resources

The Company has a positive net cash provided from operations of $462 thousand at March 31, 1992. Premium and investment income revenue exceeded benefits to the policyholders.

In order to provide for liquidity, the Insurance Company maintains a portion of its investment portfolio in short-term investments with maturities of less than one year (20%, 10.1% and 7.7% at March 31, 1992, 1991 and 1990).

The Company believes that it has adequate operating capital to conduct its business as it is currently being operated.

The consolidated long-term debt of the Company now outstanding consists of the Company's $16,590 13% Notes due 1993 incurred in connection with tender offers by the Company for certain of its shares; $30,000,000 Variable Rate Notes due 1993 from our private offering in October 1988 and $49,800,000 11.125% Notes due 1994 from our public offering in May 1986, totaling $79,816,590. The Insurance Company presently holds 190,000 shares of Presidential Life Corporation's common stock with a market value at March 31, 1992 of $736,250.

PART II - OTHER INFORMATION

No reports on Form 8-K were filed on behalf of the Registrant during the quarter ended March 31, 1992.

PRESIDENTIAL LIFE CORPORATION
MARCH 31, 1992

SALES OF UNREGISTERED SECURITIES (DEBT OR EQUITY)

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Presidential Life Corporation
(Registrant)

Herbert Kurz, President and Duly
Authorized Officer of the Registrant

Date: May 14, 1992

EXHIBIT I

Not Applicable

[redacted] 0 18656 **FORM 10-Q** 0-35239

92 14 8363

23

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

P92-2230

(Mark One)
(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________ to ____________

Commission file number 2-88147

RIO HOTEL & CASINO INC.
(Exact name of registrant as specified in its charter)

Nevada	95-3671082
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3700 West Flamingo Road, Las Vegas, Nevada 89103
(Address of principal executive offices)
(Zip Code)

(702) 252-7733
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ____

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.
Yes ____ No ____

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

13,745,923 shares of Common Stock, $.01 par value as of May 6, 1992

This document consists of 22 pages with exhibits, 19 [illegible] without exhibits.

PROCESSED
MAY 15 1992

BEST COPY AVAILABLE

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

RIO HOTEL & CASINO, INC. AND SUBSIDIARIES

FORM 10-Q

TABLE OF CONTENTS

Page No.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements 3

Consolidated Balance Sheets 3-4

Consolidated Statements of Operations 5-7

Consolidated Statements of Cash Flows 8-10

Notes to Consolidated Financial Statements 11-15

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 16-17

PART II. OTHER INFORMATION

Item 1. Legal Proceedings 18

Item 2. Changes in Securities 18

Item 3. Defaults Upon Senior Securities 18

Item 4. Submission of Matters to a Vote of Security Holders 18

Item 5. Other Information 18

Item 6. Exhibits and Reports on Form 8-K 18

SIGNATURES 19

EXHIBIT INDEX 20

EXHIBITS Computation of Earnings per Common Share 21-22

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RIO HOTEL & CASINO, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 1992 (Unaudited)	December 31, 1991
ASSETS		
Current assets		
Cash and cash equivalents	$ 12,435,239	$ 11,388,382
Accounts receivable, net	1,361,397	1,514,624
Inventories	536,111	555,467
Prepaid expenses and other current assets	1,515,932	1,125,439
Total current assets	15,848,679	14,583,912
Property and equipment		
Land and improvements	24,014,213	24,014,213
Building and improvements	62,036,847	61,643,352
Equipment, furniture and improvements	21,305,076	20,495,067
Less: accumulated depreciation	(10,702,726)	(9,620,072)
Net property and equipment	96,653,410	96,532,560
Other assets, net	1,016,095	1,150,811
	$113,518,184	$112,267,283

See Accompanying Notes to Consolidated Financial Statements.

RIO HOTEL & CASINO, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992 (Unaudited)	December 31, 1991
Current liabilities		
Current maturities of long-term debt	$ 3,406,520	$ 3,524,646
Accounts payable	2,444,638	1,918,625
Accrued expenses	3,597,226	3,941,039
Accrued interest	18,406	22,104
Total current liabilities	9,466,790	9,406,414
Non-current liabilities		
Long-term debt, less current maturities	52,888,838	53,494,595
Total liabilities	62,355,628	62,901,009
Minority interest	1,836,860	1,748,146
Stockholders' equity		
Stock exchange rights, exchangeable into 687,551 shares of common stock	3,455,040	3,660,619
Common Stock, $.01 par value; 30,000,000 shares authorized; issued and outstanding 13,662,855 (1992) and 13,615,696 (1991) shares, respectively	136,630	136,158
Additional paid-in capital	46,598,968	46,334,180
Accumulated deficit	(864,942)	(2,512,829)
Total stockholder's equity	49,325,696	47,618,128
	$113,518,184	$112,267,283

See Accompanying Notes to Consolidated Financial Statements.

RIO HOTEL & CASINO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	March 31, 1992 (Unaudited)	March 31, 1991 (Unaudited)
Revenues:		
Casino	$ 13,298,703	$ 10,376,404
Room	2,422,256	2,481,784
Food and beverage	4,952,325	3,783,537
Other	645,090	626,898
Casino promotional allowances	(1,798,098)	(1,653,917)
	19,520,276	15,614,706
Expenses:		
Casino	5,293,503	5,363,318
Room	1,049,867	1,126,771
Food and beverage	5,286,966	3,943,882
Other	363,229	426,251
Selling, general and administrative	3,425,484	2,731,141
Depreciation and amortization	1,391,457	1,272,888
	16,810,506	14,864,251
Operating profit	2,709,770	750,455
Other income (expense)		
Interest income	79,228	120,784
Interest expense	(1,146,033)	(1,483,175)
Other income, net	100,000	300,000
	(966,805)	(1,062,391)
Income (loss) from continuing operations before income tax (provision) benefit	1,742,965	(311,936)
Income tax provision	(566,470)	-
Income (loss) from continuing operations	1,176,495	(311,936)

See Accompanying Notes to Consolidated Financial Statements.

RIO HOTEL & CASINO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	March 31, 1992 (Unaudited)	March 31, 1991 (Unaudited)
Income (loss) from continuing operations	$ 1,176,495	$ (311,936)
Minority interest in consolidated partnership loss (income)	(95,078)	18,723
Loss from operations of discontinued real estate and development segment, net of income tax benefit	-	(766,268)
Income (loss) before extraordinary item	1,081,417	(1,059,481)
Extraordinary item·		
Reduction of Federal income taxes arising from carryforward of prior year's operating loss	566,470	-
Net income (loss)	$ 1,647,887	$(1,059,481)

See Accompanying Notes to Consolidated Financial Statements.

RIO HOTEL & CASINO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)

	Three Months Ended March 31, 1992 (Unaudited)	Three Months Ended March 31, 1991 (Unaudited)
Earnings per common share:		
Primary:		
Income (loss) from continuing operations applicable to common shares, net of preferred dividends	$ .07	$ (.04)
Loss from discontinued operations	-	(.10)
Extraordinary credit:		
Reduction of Federal income taxes arising from carryforward of prior year's operating loss	.04	-
Net income (loss)	$ .11	$ (.14)
Weighted average number of common shares outstanding	14,563,230	7,530,150
Fully Diluted:		
Income (loss) from continuing operations applicable to common shares, net of preferred dividends	$ .07	$ (.04)
Loss from discontinued operations	-	(.10)
Extraordinary credit:		
Reduction of Federal income taxes arising from carryforward of prior year's operating loss	.04	-
Net income (loss)	$ .11	$ (.14)
Weighted average number of common shares outstanding	14,609,212	7,530,150

See Accompanying Notes to Consolidated Financial Statements.

RIO HOTEL & CASINO, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	March 31, 1992 (Unaudited)	March 31, 1991 (Unaudited)
Cash Flows from Operating Activities:		
Net income (loss)	$ 1,647,887	$(1,059,481)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Minority interest in net income (loss) of consolidated partnerships	95,078	(77,808)
Depreciation and amortization	1,391,457	1,311,071
Provision for uncollectible accounts	66,024	(85,637)
Unrealized gain on marketable securities	-	(41,050)
(Gain) loss on sale of assets	275,663	87,947
(Increase) decrease in assets:		
Receivables	87,203	289,534
Inventories	19,356	126,135
Prepaid expenses and other current assets	(390,493)	159,996
Other, net	331,981	(20,261)
Increase (decrease) in liabilities:		
Accounts payable	526,013	1,856,671
Accrued expenses	(343,813)	170,371
Accrued interest	(3,698)	(38,807)
Deferred revenues	-	917,163
Net cash provided by operating activities	3,702,658	3,595,844
Cash Flows from Investing Activities:		
Proceeds from sale of marketable securities	-	30,388
Proceeds from sale of assets	90,975	99,966
Principal payments made on notes receivable	-	4,023
Return of partnership investment	-	300
Loans made to related parties	-	(10,000)
Purchase of land and improvements	-	(493,884)
Additions to hotel/casino	(393,495)	(73,205)
Purchase of equipment, furniture and improvements	(1,682,715)	(1,387,916)
Net cash used in investing activities	(1,985,235)	(1,830,328)

RIO HOTEL & CASINO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Three Months Ended	
	March 31, 1992 (Unaudited)	March 31, 1991 (Unaudited)
Cash Flows from Financing Activities:		
Proceeds from borrowings	$ -	$ 4,249,671
Capital contributed from minority interests in consolidated partnerships	-	13,495
Issuance of common stock	53,317	-
Payments made on notes and loans payable	(723,883)	(1,419,264)
Payments on related party debt	-	(1,100,000)
Dividends paid	-	(17,753)
Net cash provided by (used in) financing activities	(670,566)	1,726,149
Net increase (decrease) in cash and cash equivalents	1,046,857	3,491,665
Balance of cash and cash equivalents, beginning of period	11,388,382	6,801,501
Balance of cash and cash equivalents, end of period	$12,435,239	$10,293,166

See Accompanying Notes to Consolidated Financial Statements.

RIO HOTEL & CASINO INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Supplemental Schedule of Noncash Investing and Financing Activities

1992

During January 1992, the Company exchanged 40,910 stock exchange rights for 40,910 shares of the Company's common stock. The transaction resulted in the following changes:

Common Stock	$ 409
Additional Paid-In Capital	211,534
Minority Interest	(6,364)
Stock Exchange Rights	(205,579)
	$ -0-

1991

On March 28, 1991, the Company exchanged 1,054,778 stock exchange rights for 1,054,778 shares of the Company's common stock. The transaction resulted in the following changes:

Common Stock	$ 10,548
Additional Paid-In Capital	2,099,009
Minority Interest	(164,081)
Stock Exchange Rights	(1,945,476)
	$ -0-

Construction in progress financed through construction loans and payables totaled $2,087,058.

Costs of $690,163 previously incurred in connection with the final acquisition of property in the current year were reclassified from other assets to land and improvements.

During January, 1991, the Company canceled $50,000, in principal on a stock subscription receivable to the Company from a former officer of the Company. The stock subscription receivable was incurred in connection with the purchase of 50,000 shares of common stock in July 1987.

	Three Months Ended	
	March 31, 1992 (Unaudited)	March 31, 1991 (Unaudited)
Cash payments made for interest (net of amounts capitalized)	$ 1,149,731	$ 2,084,768
Cash payments made for taxes	$ -	$ -

Note 1 - The consolidated financial statements include the accounts of Rio Hotel & Casino, Inc. ("RHCI" or the "Company") and its majority-owned subsidiaries; MarCor Resort Properties, Inc. ("MRPI"); MarCor Rio Holding Corp. (a subsidiary of MRPI); and four limited partnerships, The Cannery L.P. (until its sale on December 30, 1991); MarCor Green Valley L.P. (until its sale on December 30, 1991; and MarCor Resorts, L.P. V (the "Rio Partnership") (collectively the "Company"). The partnerships are included in the accounts of the Company as a result of the Company retaining more than a 50% ownership interest or a "controlling" interest as defined by Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority Owned Subsidiaries". On January 15, 1990, the Rio Suite Hotel & Casino ("Rio") commenced operations. The Rio, a 424 suite hotel/casino with approximately 44,000 square feet of casino space, is located on a 45 acre site in the greater Las Vegas area. Prior to September 28, 1990, controlling interest had been established in the Rio Partnership as a result of RHCI's financial control including, among other items, its authority as the sole general partner, the limited voting rights of the limited partners, and RHCI's extension of an unconditional guaranty of all of the obligations of the general partner. On September 28, 1990, RHCI increased its ownership and interest in the Rio Partnership to 95.75%.

On February 18, 1992, the Company offered to acquire the remaining 4.25% limited partnership interests in the Rio Partnership. Holders of 3.25% of these interests accepted the Company's offer. These holders will receive a total of 354,546 shares of RHCI Common Stock in exchange for their limited partnership interests. This transaction must first be approved by the Nevada gaming authorities, which the Company expects to occur by September 1992.

The Company, in its capacity as general partner of the Rio Partnership, has also tentatively authorized a proposed merger of the Rio Partnership with one of RHCI's subsidiaries. The Company owns sufficient limited partnership interests of the Rio Partnership to assure approval of the merger. The remaining 1% limited partners will receive 109,091 shares of RHCI Common Stock. The proposed merger is also subject to approval by the Nevada gaming authorities.

The anticipated result of these proposed transactions will be the cessation of existence of the Rio Partnership and the replacement with a new corporate subsidiary, the issuance of 463,637 shares of RHCI common stock, for a total of 14,814,042 shares after all exchange rights are exercised, and the elimination of the existing minority interest in the Rio. All significant intercompany balances and transactions have been eliminated in consolidation. The account balance of minority interest will be credited to stockholders equity.

The consolidated balance sheet as of March 31, 1992 and the related consolidated statements of operations and consolidated statements of cash flow for the three-month periods ended March 31, 1992 and March 31, 1991 are unaudited but, in the opinion of management, reflect all adjustments necessary for a fair presentation of results for such periods. The results of operations for an interim period are not necessarily indicative of the results for the full year. The consolidated financial statements should be read in conjunction with the financial statements and notes thereto contained in the Registrant's annual report for the year ended December 31, 1991.

The financial statements for prior periods reflect certain reclassifications, which have no effect on net income (loss), to conform with classifications adopted in the current year.

The Company's consolidated balance sheet for the year ended December 31, 1991 is audited.

Note 2 - On September 28, 1990, the Company's second-tier subsidiary, MarCor Rio Holding Corp. issued 6,638,214 shares of preferred stock ("Holding Shares") in exchange for 60.85 Rio Partnership Units. These Holding Shares can be exchanged for RHCI common stock on a one-for-one basis after March 28, 1991, and the Company can require conversion any time on or after December 31, 1999. The Rio Partnership's net loss through September 30, 1990 was allocated in full to the owners of record at September 28, 1990. In connection with this transaction, the Company paid $13,681,286 of costs in excess of recorded minority interests for the Rio Partnership Units. All costs were allocated to assets based on fair market values, however, the costs in excess of recorded minority interests paid to related parties were not recorded.

The values of the Holding Shares and stock exchange rights were allocated between the two based on the Company's estimate of relative fair market values. The Holding Shares contain a non-cumulative dividend right which is permitted to be paid after certain conditions are met, which is permitted but not required. The Holding Shares do not have voting rights. The Holding Shares also contain a stated liquidation preference of $6.50 a share or an aggregate liquidation preference of $4,469,082 based on 687,551 holding shares outstanding at March 31, 1992. The Company has reflected the cost of the acquisition of the stock exchange rights in its stockholder's equity. As of March 31, 1992, 5,950,663 Holding Shares had been exchanged for RHCI common stock.

Note 3 - Beginning May 1, 1991 the Company renewed its management and consulting contract with Marnell Corrao Associates, Inc. Under the terms of the $1,200,000 contract, the Company agreed to provide certain real estate, financial and supervisory services through April 30, 1992. This contract was terminated three months early, on January 31, 1992, by mutual agreement of the parties. Revenues earned during the three-month period ended March 31, 1992 for services rendered to Marnell Corrao Associates, Inc. totaled $100,000. The sole stockholder of Marnell Corrao Associates, Inc. is Marnell Corrao, Inc. The principal stockholder of Marnell Corrao, Inc. is Anthony A. Marnell II, Chief Executive Officer and controlling stockholder of the Company.

Note 4 - Long-term debt consists of the following:

	March 31, 1992	March 31, 1991
Bank term loan, under a $55,000,000 bank facility, with interest at prime plus 1.375 percent, subject to a reduction to prime plus 1.125 percent; monthly principal payments of $116,350 plus interest beginning February 1, 1991, with principal payments escalating in each anniversary year through 1995 to a maximum of approximately $187,589 per month. On the seventh anniversary of the execution date in 1996 all unpaid principal and interest will be due. The loan is collateralized by a first deed of trust on Rio property and equipment.	$53,210,421	$ 54,650,938
Interim construction loans with interest at prime plus 1.25% to 1.50% to fixed rates of 12%. Interest only payments are due monthly.	-	6,474,231
Land purchase loans, with fixed interest rates ranging from 9% to 12%, and prime plus 1.5%; interest only payments on most notes; the remaining note is due July 1, 1992. The notes are collateralized by first and second deeds of trust on land and were paid in full April 1992.	1,500,000	7,546,000
Bank term loan, under a $1,500,000 bank facility with interest at prime plus 1.0%; principal payments quarterly of $25,000 plus interest beginning July 30, 1991 with principal payments escalating in each anniversary year through 1994 to a minimum of approximately $45,000 quarterly. On April 30, 1994, all remaining principal and related interest will be due. The loan is collateralized by first and second deeds of trust on land.	1,425,000	-
Mortgage note payable on the Cannery, with interest at prime plus 2%. Principal payments of approximately $6,000 monthly plus interest on the remaining mortgage.	-	2,420,982
Revolving lines of credit with interest at prime plus 1.5%. Total credit available at March 31, 1991 was $3,000,000. The line of credit matured August 1, 1991 and was retired.	-	1,764,000

	March 31, 1992	March 31, 1991
Unsecured bank note, with interest at prime plus 1.5%. Interest only payments are due monthly.	-	1,525,000
Other notes payable, with interest at varying rates. Principal and interest payments are due monthly. Certain notes are secured by equipment.	159,937	314,979
	56,295,358	74,696,130
Less current maturities	(3,406,520)	(5,366,560)
	$52,888,838	$69,329,570

The prevailing prime interest rate at March 31, 1992 was 6.5%.

On January 11, 1989, the Rio Partnership entered into a loan agreement (the "Rio Bank Loan") with a consortium of banks (the "Lenders") for $50,000,000 to finance the construction of the Rio. On December 11, 1990, the note was amended and increased to $55,000,000. The Company and certain key stockholders are guarantors of the loan. The loan is secured by certain real and personal property of the Rio Partnership.

The terms of the loan contain certain financial and operational covenants with respect to the Rio Partnership. These covenants include the restriction on the sale or other disposition of certain partnership assets, limits on annual partnership capital expenditures, limits on the incurrence of additional partnership debt, limits on partnership distributions, restriction on the transfer of certain general partnership and initial limited partnership interests, and maintenance of certain partnership financial ratios and the maintenance of a minimum partnership tangible net worth, as defined, of $30,000,000.

Effective May 7, 1992, the Company and the Rio Bank Loan Lenders amended the Rio Bank Loan to increase the annual capital expenditure limit to $2,500,000 with a possible increase to $4,500,000, subject to the Company depositing additional funds into a Capital Surplus Account, subject to certain restrictions; to increase the scheduled monthly principal payments due under the Rio Bank Loan by $30,000 per month throughout the term of the loan; modify the definition of "fixed charge coverage ratio"; and to convert $5,000,000 of the Rio Bank Loan to a revolving line of credit loan which may be paid down and reborrowed throughout the term of the loan. Based upon the present operations of the Rio, internal projections of revenues and expenses, and other anticipated cash requirements of the Rio Partnership during 1992, the Company anticipates meeting required principal and interest payments under the Rio Bank Loan during 1992.

The loan is classified as long-term except for normally scheduled principal payments.

The carrying value of assets included in the consolidated financial statements which collateralized notes and loans payable, are as follows:

	March 31, 1992	March 31, 1991
Building and improvements	$ 62,036,847	$ 61,592,615
Rental real estate	-	2,648,800
Equipment, furniture and improvements	21,305,076	19,016,665
Land and improvements	24,014,213	33,194,570
Construction in progress	-	7,074,451
Land held for investment	-	3,085,043
	$107,356,136	$126,612,144

Note 5 - Indebtedness to Related Parties

At March 31, 1992, there were no notes payable to related parties. At March 31, 1991, there were notes payable to related parties totaling $13,805,000, with interest at prime to prime plus 2%; payment of principal and interest on certain notes totaling $3,130,000 were subject to the terms of a Subordination Agreement to the Rio Bank Loan (Note 4.) The notes were unsecured.

Note 6 - Discontinued Operations

On December 30, 1991, the Company disposed of its non-gaming real estate assets and operations. Results for the quarter ended March 31, 1991 from the discontinued operations are as follows:

Revenues	$ 357,346
Expenses	(1,182,699)
Loss before minority interest	(825,353)
Minority interest	59,085
Net loss	$ (766,268)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

MATERIAL CHANGES IN FINANCIAL CONDITION:
Liquidity and Capital Resources

The consolidated financial statements of RHCI include its primary operating subsidiary, the 95.75%-owned Rio Partnership, the owner and operator of the Rio. Due to material covenants in the Rio Bank Loan, the $55,000,000 construction and term loan used for the Rio, and certain terms and condition of other contractual restrictions on the Rio Partnership and RHCI, the ability of the Rio Partnership to distribute cash to RHCI is restricted. RHCI does not anticipate cash distributions to be made from the Rio Partnership during calendar year 1992. Accordingly RHCI's liquidity at the parent corporation level will be limited. Management believes that the Rio Partnership will generate sufficient cash flow from operations at the Rio to fulfill its liquidity needs.

Effective May 7, 1992, the Company and the Rio Bank Loan Lenders amended the Rio Bank Loan to increase the annual capital expenditure limit to $2,500,000 with a possible increase to $4,500,000, subject to the Company depositing additional funds into a Capital Surplus Account, subject to certain restrictions; to increase the scheduled monthly principal payments due under the Rio Rank Loan by $30,000 per month throughout the term of the loan; to modify the definition of "fixed charge coverage ratio"; and to convert $5,000,000 of the Rio Bank Loan to a revolving line of credit loan which may be paid down and reborrowed throughout the term of the loan. Based upon the present operations of the Rio, internal projections of revenues and expenses and other anticipated cash requirements of the Rio Partnership during 1992, the Company anticipates meeting required principal and interest payments under the Rio Bank Loan during 1992.

The Company's Board of Directors recently authorized certain transactions to acquire the remaining 4.25% limited partnership interests in the Rio Partnership not held by the Company. Completion of these transactions requires the prior approval of the Nevada Gaming Commission, which approval is not anticipated until mid-summer 1992. Should these transactions be consummated, the resulting new structure of ownership will require the Rio Bank Loan lenders' consent, which may include, although no assurances can be given, a modification of the restrictions on cash distributions to the parent corporation. Following consummation of these transactions, the Rio Bank Loan will be the primary restriction on cash distributions from the Rio operating entity to RHCI. Until a formal resolution is reached, there can be no predictions of any such changes, and the balance of this discussion assumes no modifications of the Rio Bank Loan in this regard.

For a more detailed discussion of liquidity, please refer to "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations", in the Rio Hotel & Casino, Inc. Form 10-K for the fiscal year ended December 31, 1991.

Financial Condition

The Company had working capital, including funds restricted for use by the Rio Partnership, of $6,381,889 at March 31, 1992 compared to $5,177,498 at December 31, 1991. The increase in working capital is due primarily to cash generated by operations at the Rio.

Results of Operations - Three Months Ended March 31, 1992 Compared to Three Months Ended March 31, 1991

The first quarter of 1992 was the most profitable quarter ever for the Rio. The Rio had operating profit of $2,709,770, after depreciation and amortization charges, compared to operating profit of $750,455 in the first quarter of 1991. This improvement was primarily a result of the Rio earning an additional $2,922,299 in casino revenues, while at the same time experiencing a slight reduction in casino expenses.

Revenues, net of promotional allowances, increased by 25% to $19,520,276 in the first quarter of 1992. The major components of the increase in revenues were slot revenues, which increased by $2,328,168, and food and beverage revenues, which increased by $1,168,788, as the number of covers served increased sharply. Overall, operating expenses increased by 13%, which when coupled with the 25% increase in revenues, resulted in a significantly larger operating profit. The increase in expenses occurred primarily in food and beverage, which had an increase of $1,343,084 as a result of the greatly increased number of covers served, as mentioned above. Hotel revenues were $2,422,256 in the first quarter of 1992 compared to $2,481,784, while occupancy was 97% in the first quarter of 1992, compared to 91% in the first quarter of 1991. Selling, general and administrative expenses increased by $694,343 to $3,425,484 or 17.5% of revenues, in the first quarter of 1992. This compared to selling, general and administrative expenses in the first quarter of 1991 were $2,731,141, which also represented 17.5% of revenues.

Income from continuing operations after minority interest in consolidated partnership earnings was $1,081,417, or $0.07 per share, for the first quarter of 1992 compared to a loss of $293,213, or $0.04 per share for the first quarter of 1991. Results for first quarter 1991 were further affected by a loss from discontinued real estate and development operations of $766,268, or $0.10 per share. Results for first quarter 1992 were positively affected by an extraordinary credit attributable to a reduction in federal income tax provision arising from carryforward of prior year's operating losses. This credit was $566,470, or $0.04 per share for the first quarter of 1992. The Company had a net operating loss carryforward for financial statement purposes of $2,333,858 at December 31, 1991.

Overall net income for the first quarter of 1992 was $1,647,887, or $0.11 per share, compared to first quarter of 1991 loss of $1,059,481, or $0.14 per share.

Effect of FASB Statement No. 109

In February 1992, the Financial Accounting Standards Board (the "FASB") issued Statement No. 109, "Accounting for Income Taxes" ("SFAS No. 109") which is effective for fiscal years commencing after December 15, 1992. The Company currently intends to adopt SFAS No. 109 in the first quarter of fiscal 1993. Implementation of this statement is not expected to have a material effect on the results of operations.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

NONE

Item 2. Changes in Securities.

During the first quarter of 1992, 40,910 Holding Shares were exchanged for 40,910 shares of RHCI common stock. Also during the first quarter of 1992, certain options granted pursuant to the Company's Non-Statutory Stock Option Plan were exercised, resulting in the issuance of 6,200 shares of the Company's common stock.

Item 3. Defaults Upon Senior Securities.

NONE

Item 4. Submission of Matters to a Vote of Security Holders.

NONE

Item 5. Other Information.

The Company's Board of Directors has authorized transactions to acquire the remaining 4.25% limited partnership interests in the Rio Partnership not owned by the Company. The holders of 3.25% of such interests have accepted the Company's proposal. The Company's plans call for a transaction that will result in the remaining 1% interest also being acquired. Prior approval by the Nevada Gaming Commission must be received, and the Company anticipates action by the Nevada Gaming Commission by mid-summer 1992.

As described in Part I, "Item 2. Management's Discussions and Analysis of Financial Condition and Results of Operations," the Company amended the Rio Bank Loan effective May 7, 1992.

Item 6. Exhibits and Report on Form 8-K

(a) Exhibits

Exhibit Number	Description
11.01	Computation of Earnings Per Common Share.

(b) Report on Form 8-K

By Report on Form 8-K dated February 28, 1992, the Company filed Amended and Restated Articles of Incorporation to change its name from MarCor Resorts, Inc. to Rio Hotel & Casino, Inc. As a result the Company's trading symbol as quoted on NASDAQ/NMS changed from MAAR to RIOH. The Company also reported that its executive offices and telephone number had changed.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Rio Hotel & Casino, Inc.
(Registrant)

May 11, 1992
Date

By /s/ JAMES A. BARRETT, JR.
JAMES A. BARRETT, JR.
President, Secretary and
Treasurer (Principal Financial
Officer)

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Rio Hotel & Casino, Inc.
(Registrant)

May 11, 1992
Date

By
JAMES A. BARRETT, JR.
President, Secretary and
Treasurer (Principal Financial
Officer)

EXHIBIT INDEX

Exhibit	Description	Sequential Page Number
11.01	Computation of Earnings Per Common Share.	21-22

EXHIBIT 11.01

RIO HOTEL & CASINO, INC. AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER COMMON SHARE

	Three Months Ended	
	March 31, 1992 (Unaudited)	March 31, 1991 (Unaudited)
Primary:		
Earnings		
Income (loss) from continuing operations before extraordinary credits	$ 1,081,417	$ (293,213)
Deduct dividends on preferred stock	-	(17,753)
Loss applicable to common stock before extraordinary credits	$ 1,081,417	$ (310,966)
Loss from discontinued operations	-	(766,268)
Extraordinary credits	566,470	-
Income (loss) applicable to common stock	$ 1,647,887	$(1,077,234)
Shares:		
Weighted average number of common shares and equivalents outstanding	14,344,548	7,530,150
Stock options	218,682	-
Weighted average number of common shares outstanding, as adjusted	14,563,230	7,530,150
Earnings per common share:		
Income (loss) from continuing operations before extraordinary credits	$ 0.07	$ (0.04)
Loss from discontinued operations	-	(0.10)
Extraordinary credits	0.04	-
Net income (loss) per common share	$ 0.11	$ (0.14)

EXHIBIT 11.01

RIO HOTEL & CASINO, INC. AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER COMMON SHARE (CONTINUED)

	Three Months Ended	
	March 31, 1992 (Unaudited)	March 31, 1991 (Unaudited)
Fully Diluted:		
Earnings:		
Income (loss) from continuing operations before extraordinary credits	$ 1,081,417	$ (293,213)
Deduct dividends on preferred stock	-	(17,753)
Income (loss) applicable to common stock before extraordinary credits	$ 1,081,417	$ (310,966)
Loss from discontinued operations	-	(766,268)
Extraordinary credits	566,470	-
Income (loss) applicable to common stock	$ 1,647,887	$ (1,077,234)
Shares:		
Weighted average number of common shares and equivalents outstanding	14,344,548	7,530,150
Stock options	264,664	-
Weighted average number of common shares outstanding, as adjusted	14,609,212	7,530,150
Earnings per common share:		
Income (loss) from continuing operations before extraordinary credits	$ 0.07	$ (0.04)
Loss from discontinued operations	-	(0.10)
Extraordinary credits	0.04	-
Net income (loss) per common share	$ 0.11	$ (0.14)

O. 11201

Q 35220

12

92 14 9802

Q92-2230

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, DC, 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 1992

Commission file number 2-91511

SMITHTOWN BANCORP, INC.
(Exact name of registrant as specified in its charter)

NEW YORK	11-2695037
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

SECTION
1992

One East Main Street, Smithtown, New York 11787-280
(Address of principal executive offices)

(516) 360-9300
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No___

Indicate the number of shares outstanding of each of the insurer's classes of common stock, as of the latest practicable date:

438,985 Shares of Common stock (5.00 Par Value) Outstanding as of March 31, 1992.

12/2 H

BEST COPY AVAILABLE

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

SMITHTOWN BANCORP, INC.

INDEX

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

- Consolidated Balance Sheet - March 31, 1992 and December 31, 1991
- Consolidated Statement of Income - Three months ended March 31, 1992 and 1991
- Consolidated Statement of Changes in Capital Accounts - Three months ended March 31, 1992 and 1991
- Consolidated Statements of Cash Flows - Three months ended March 31, 1992 and 1991

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Notes to Consolidated Financial Statements

Part II - OTHER INFORMATION

Item 1. Legal Proceedings - None

Item 2. Changes in Securities - None

Item 3. Defaults upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders - None

Item 5. Other Information - None

Item 6. (a) Exhibits - None

Smithtown Bancorp, Inc.
Consolidated Balance Sheet
(unaudited)

	March 31,1992	December 31,1991
ASSETS		
Cash and Due from Banks	$ 6,814,887	$ 6,606,995
Securities:		
U.S. Government Obligations	34,576,942	34,446,612
Obligations of U.S. Government Agencies	2,030,372	2,033,046
Mortgage Backed Securities	13,914,916	13,855,770
Obligations of State & Political Subdivisions	6,388,163	6,477,744
Other Securities	127,200	127,200
Total Securities (Market Value $59,012,959 in 1992 and $59,022,089 in 1991.)	57,037,593	56,940,372
Federal Funds Sold	9,500,000	3,750,000
Loans		
Real Estate	43,736,273	43,499,855
Commercial and Industrial	17,280,374	16,981,162
Loans to Individuals for Household, Family and Other Personal Expenditures	9,364,067	10,075,281
All Other Loans	152,684	182,354
Total Loans	70,533,398	70,738,652
Less: Unearned Discount	1,840,480	1,968,599
Reserve for Possible Loan Losses	1,411,272	1,496,624
Loans Net	67,281,646	67,273,429
Bank Premises and Equipment	2,779,525	2,814,626
Other Assets		
Other Real Estate Owned	4,939,226	5,085,576
Other	2,769,552	2,934,349
TOTAL	$151,122,429	$145,378,347
LIABILITIES		
Deposits:		
Demand	$31,308,684	$31,331,771
Money Market Accounts	32,776,292	29,387,570
Savings	59,353,275	55,787,315
Certificates of Deposit $100,000 and Over	3,824,374	3,939,331
Other Time Deposits	12,603,327	13,380,295
Total Deposits	139,865,952	133,826,282

Consolidated Balance Sheet (continued)

	March 31,1992	December 31,1991
Dividend Payable	109,746	438,985
Other Liabilities	206,653	300,416
Total Liabilities	140,182,351	134,565,683
CAPITAL ACCOUNTS		
Common Stock - $5.00 Par Value:		
500,000 Shares Authorized	2,239,775	2,239,775
447,955 Issued		
Surplus	2,000,000	2,000,000
Retained Earnings	7,014,253	6,886,839
	11,254,028	11,126,614
Less: Treasury Stock	313,950	313,950
Total Capital Accounts	10,940,078	10,812,664
TOTAL	$151,122,429	$145,378,347

SMITHTOWN BANCORP, INC.
CONSOLIDATED STATEMENT OF INCOME
(unaudited)

	3 Months Ended March 31, 1992	3 Months Ended March 31, 1991
INTEREST INCOME		
Interest and Fees on Loans	$1,939,106	$2,245,010
Interest and Dividends on:		
U.S. Government Obligations	593,025	846,463
Obligations of U.S. Government Agencies	42,326	0
Mortgage Backed Securities	285,002	0
Obligations of State and Political Subdivisions	94,596	4,374
Other Securities	1,908	1,908
Income on Federal Funds Sold	60,700	196,254
Total Interest Income	3,016,663	3,294,009
INTEREST EXPENSE		
Money Market Accounts	320,495	450,225
Savings	553,962	607,870
Certificates of Deposit $100,000 and Over	49,388	75,036
Other Time Deposits	173,092	280,126
Interest on Federal Funds Purchased	0	0
Total Interest Expense	1,096,937	1,413,257
Net Interest Income	1,919,726	1,880,752
Provision for Possible Loan Losses	60,000	83,000
Net Interest Income, After Provision for Possible Loan Losses	1,859,726	1,797,752
OTHER OPERATING INCOME		
Trust Department	57,679	61,029
Service Charges on Depositor Accounts	301,396	237,298
Other Service Charges, Commissions and Fees	24,060	19,332
Miscellaneous Income	40,038	38,702
Net Security Transactions	0	0
Total Other Operating Income	423,173	356,361
OTHER OPERATING EXPENSES		
Salaries	936,610	945,272
Pension and Other Employee Benefits	210,303	222,141
Occupancy Expense of Bank Premises	231,670	201,433
Furniture and Equipment Expense	169,112	166,113
Miscellaneous Operating Expenses	407,044	401,316
Total Other Operating Expenses	1,954,739	1,936,275
Income Before Income Taxes	328,160	217,838
Applicable Income Taxes	91,000	78,600
NET INCOME	$237,160	$139,238
EARNINGS PER COMMON SHARE		
Net Income	$0.54	$0.32
Cash Dividends	$0.25	$0.25
Average Shares Outstanding	438,985	438,985

SMITHTOWN BANCORP, INC.
CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL ACCOUNTS
(unaudited)

Description	Common Stock Par $5.00	Surplus	Undivided Profits	Total Capital Accounts
Balance at January 1,1991	$2,239,775	$2,000,000	$7,123,660	$11,363,435
Net Income Transferred to Retained Earnings....			139,238	139,238
Cash Dividends Declared on Common Stock......			(109,746)	(109,746)
Cost of Stock in Treasury..				(313,950)
Balance at March 31, 1991	$2,239,775	$2,000,000	$7,153,152	$11,078,977
Balance at January 1,1992	$2,239,775	$2,000,000	$6,886,839	$11,126,614
Net Income Transferred to Retained Earnings....			237,160	237,160
Cash Dividends Declared on Common Stock......			(109,746)	(109,746)
Cost of Treasury Stock..				(313,950)
Balance at March 31, 1992	$2,239,775	$2,000,000	$7,014,253	$10,940,078

Smithtown Bancorp, Inc.
Consolidated Statement of Cash Flows
(unaudited)

	For 3 Months Ended	
	March 31, 1992	March 31, 1992
Cash Flow From Operating Activities		
Interest received from:		
Loans	$ 1,784,303	$ 2,019,276
Investment Securities	1,340,263	1,015,458
Federal Funds Sold	60,700	196,254
Trust Department Income	54,079	50,229
Service Fees	325,456	256,620
Other Income	40,038	38,712
Interest Paid to Depositors	(1,112,953)	(1,398,467)
Cash Paid to Suppliers and Employees	(1,893,592)	(2,000,486)
Income Taxes Paid	(14,973)	(46,328)
Net Cash Provided by Operating Activities	583,321	131,268
Cash Flows From Investing Activities		
Proceeds from Maturities of Investment Securities	5,542,647	4,034,076
Purchase of Investment Securities	(5,726,094)	(7,573,979)
Federal Funds Sold, Net	(5,750,000)	1,000,000
Mortgage Payable	(49,089)	54,823
Loans Made to Customers, Net	(68,216)	488,023
Purchase of Premises and Equipment	(33,926)	(206,667)
Payments for Other Assets	(10,786)	16,701
Proceeds from Sale of Other Real Estate Owned	119,350	0
Net Cash Provided/(Used) in Investing Activities	(5,976,114)	(2,187,023)
Cash Flows From Financing Activities		
Net Change in Demand Deposits, NOW Accounts, Savings Accounts and MMDAs	6,931,595	(189,985)
Net Change in Time Deposits	(891,924)	819,880
Dividends Paid	(438,985)	(447,258)
Net Cash Provided/Used in Financing Activities	5,600,686	182,637
Net Change in Cash and Cash Equivalents	207,893	(1,873,118)
Cash and Cash Equivalents, Beginning	6,606,994	8,599,369
Cash and Cash Equivalents, Ending	$ 6,814,887	$ 6,726,251

Consolidated Statement of Cash Flows (continued)

	For 3 Months Ended	
	March 31, 1992	March 31, 1991
Reconciliation of Net Income to Net Cash Provided by Operating Activities		
Net Income	$ 237,160	$ 139,238
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	69,026	61,902
Provision for Possible Loan Loss	60,000	83,000
Increase/(Decrease) in Taxes Payable	76,027	32,272
(Increase)/Decrease in Interest Receivable	82,378	(64,572)
Increase/(Decrease) in Interest Payable	(16,016)	14,791
(Increase)/Decrease in Estate Commissions Receivable	(3,600)	(10,800)
(Increase)/Decrease in Prepaid Expenses	40,296	34,554
Increase/(Decrease) in Accrued Expenses	(25,834)	(102,673)
Increase/(Decrease) in Accounts Payable	(22,342)	(57,994)
Amortization of Investment Security Premiums and Accretion of Discounts	86,226	1,550
Total Adjustments	346,161	(7,970)
Net Cash Provided by Operating Activities	$ 583,321	$ 131,268

Management's Discussion and Analysis of Financial Condition and Results of Operations

Smithtown Bancorp, a one bank holding company, acquired 100% of the outstanding common stock of Bank of Smithtown on November 1, 1984. Smithtown Bancorp and its subsidiary, Bank of Smithtown, filed an Annual Report 10-K for the year ended December 31, 1991. Bank of Smithtown remains a state chartered, Federal Reserve Bank member and accordingly is subject to regulation by the New York State Banking Department and the Federal Reserve Bank.

Bank of Smithtown's balance sheet has undergone one significant change since December 1991. Total assets have increased by $5,744,082 or 3.9% in spite of the weak Long Island economy. Balances in the loan and investment portfolio remained constant, representing 46.7% and 37.7% of total assets, respectively. Federal Funds sold at March 31 comprised 6.3% of assets as compared to 2.5% at December 31. After careful review, it was determined by management that due to liquidity needs, the Bank's optimum level for Federal Funds sold is $7,000,000. The balance in this account remains high due to future loan fundings which will take place during second quarter. Deposits increased during first quarter 1992 by 4.5% with the majority of this inflow into money market accounts and savings accounts. The Bank's competitive rate structure along with other "non-interest related factors" attracted these deposits. Capital remains strong according to regulatory guidelines, with a 1.1% increase over fourth quarter 1991 due to retained earnings. The following is a listing of the Bank's required and actual capital ratios.

	March 1992 Actual	December 1991 Actual	Required
Tier I	15.68%	14.47%	4.00%
Tier II	2.03%	2.00%	*
Total Risk Based Capital	17.71%	16.47%	8.00%
Leverage Ratio	7.24%	7.44%	4.00%

* Tier II Capital is limited to a maximum of 100% of Tier I Capital.

According to Federal Reserve guidelines, as of December 31, 1991 and March 31, 1992 the Bank has a concentration of loans to one borrower who is a real estate developer. $4,482,563 of these loans we reclassified as in substance foreclosures as of year end and were transferred to Other Real Estate Owned where they currently remain. The balance of this developers' loans total $1,598,714 and range from 32 to 77 days past due as of March 31. $2,000,000 of this $4,482,563 in Other Real Estate Owned represents a vacant commercial parcel of land for which there exists a court-approved contract of sale, and for which the Town of Smithtown granted a necessary approval on April 28, 1992. Pursuant to the contract, the Bank expects full repayment of this loan, perhaps before the close of the second quarter. $2,250,000 of the remaining Other Real Estate Owned to this same developer represents a new commercial office building for which the Bank was given a deed on May 4, 1992. The Bank, therefore, has just begun efforts to sell this property. Since December 1991, the balance in Other Real Estate Owned decreased by $119,350 due to the sale of one residential property.

In an effort to protect itself against future uncertainties in the loan portfolio due to the continued weakening Long Island economy, the Bank increased its allowance for loan loss account at year end to $1,496,624 representing 2.17% of net loans. An additional $60,000 was added to the allowance through the end of first quarter, with net charge-offs of $145,352. The allowance now represents 2.10% of net loans, and management feels it remains adequate. Non-accrual loans increased from $614,000 at December 31, to $2,669,000 at March 31, however the majority of these loans remain well secured and were reserved for as of December 31. Interest income recognized during first quarter for these non-accrual loans was $36,346. Interest income which would have been recorded on these loans if they remained performing was $97,919.

Income for first quarter 1992 was $237,160 as compared to $139,238 for the same period in 1991, primarily a result of decreased interest expense (22.3% decrease). by structuring itself into a negative gap position, the Bank was able to take advantage of the continued declining interest rate environment (see attached gap table).

Loan income dropped by 13.6% due to the increase in nonaccrual loans and Other Real Estate Owned. Offsetting this decline was a 19.2% increase in investment income. This was completely due to the revamping of the portfolio accomplished in 1991 through a more diversified, laddered structure. Other operating income increased by 18.7%, largely a result of increased service charges, fees and commissions. Other operating expenses were held in line by strict budget adherence.

Although the Long Island economy remains in a weakened condition, delinquencies at the Bank have not significantly increased since December 1991 and workout arrangements on many nonperforming loans have been completed. Management expects loan volume to increase during second, third and fourth quarter based upon current commitments and pending applications. These borrowings are high quality, well secured loans which will serve to both increase the Bank's bottom line and return its asset quality back to the level to which management is accustomed.

Interest Sensitivity Gap Table

For the Quarter Ended
March 31, 1992

	Three Months or Less	Over Three Months to Six Months	Over Six Months through One Year	Total Sensitive Within One Year	Over One Year through Five Years	Over Five Years	All Other(*)	Total
Total Interest - Earning Assets	37,837	150	9,886	47,873	36,870	50,576	15,803	151,122
Total Interest - Bearing Liabilities	100,796	3,081	1,964	105,841	2,012	0	43,269	151,122
Interest Sensitivity Gap Per Period	(62,959)	(2,931)	7,922	(57,968)	34,858	50,576	(27,466)	0
Cumulative Interest Sensitivity Gap	(62,959)	(65,890)	(57,968)	(57,968)	(23,110)	27,466	0	0
Percent of Cumulative Gap to Total Assets	(41.69)%	(43.60)%	(38.36)%	(38.36)%	(15.29)%	18.17%	0	0

(*) Includes interest-bearing assets and interest-bearing liabilities that do not reprice, non-interest earning assets non-interest bearing liabilities, and $2,669,000 in non-accrual loans.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SMITHTOWN BANCORP, INC.

May 11, 1992

Bradley E Rock

(Bradley E. Rock, President)

May 11, 1992

Anita Florek

(Anita Florek, Treasurer)

√0 30623
0-35038

92 14 5927

R92.2230

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 28, 1992

OR

__ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to ________

Commission file number 0-18834

RECD S.E.C.
MAY 12 1992
37

VIDEOCART, INC.
(Exact name of registrant as specified in its charter)

Delaware (State of incorporation)
36-3688583 (I.R.S. Employer Identification No.)

300 South Wacker Drive, Chicago, Illinois (Address of principal executive offices)
60606 (Zip Code)

Registrant's telephone number, including area code: (312) 987-5000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

As of May 8, 1992, registrant had outstanding 10,970,237 shares of common stock, $.01 par value ("Common Stock"), which is registrants only class of common stock.

11-11.0

PROCESSED BY
MAY 13 1992

BEST COPY AVAILABLE

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

VIDEOCART, INC.
FORM 10-Q
MARCH 28, 1992

Page of Form 10-Q

Part I: Financial Information

Item 1. Financial Statements

Condensed Balance Sheets, March 28, 1992 and December 28, 1991 3
Condensed Statements of Operations for the Quarters ended March 28, 1992 and March 31, 1991 4
Condensed Statements of Cash Flows for the Quarters ended March 28, 1992 and March 31, 1991 5
Notes to Condensed Financial Statements 6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 8

Part II: Other Information

Items 1 to 6 10

2

VIDEOCART, INC.
(a development stage company)

CONDENSED BALANCE SHEETS
(Unaudited)

	March 28, 1992	December 28, 1991
ASSETS		
Current Assets		
Cash and cash equivalents	$ 14,761,336	$ 20,302,891
Accounts receivable, net	1,127,812	1,361,112
Prepaid expenses and other current assets	309,481	364,077
Total Current Assets	16,198,629	22,028,080
Property and Equipment, Net of Accumulated Depreciation and Amortization	18,039,353	9,655,435
Other Assets, Net	332,840	336,482
TOTAL ASSETS	$ 34,570,822	$ 32,019,997
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term obligations	$ 197,620	$ 232,725
Accounts payable	9,437,530	3,297,041
Accrued expenses	1,805,305	989,460
Notes payable	107,092	229,085
Deferred revenue	566,179	727,716
Total Current Liabilities	12,113,726	5,476,027
Long-Term Liabilities		
Long-term obligations	856,384	804,376
Deferred revenue	1,000,000	1,000,000
Total Long-Term Liabilities	1,856,384	1,804,376
Stockholders' Equity		
Preferred stock-1,000,000 shares authorized, $.01 par value, none issued	0	0
Warrant outstanding	87,500	87,500
Common stock-30,000,000 shares authorized, $.01 par value, 10,954,523 and 10,918,680 shares issued and outstanding at March 28, 1992 and December 28, 1991, respectively	109,545	109,187
Capital in excess of par value	47,015,051	46,933,415
Deficit accumulated during development stage	(26,648,708)	(22,392,530)
Cumulative translation adjustment	37,324	2,022
Total Stockholders' Equity	20,600,712	24,739,594
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 34,570,822	$ 32,019,997

See accompanying Notes to Condensed Financial Statements.

3

VIDEOCART, INC.
(a development stage company)

CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Inception to March 28, 1992	Quarter Ended March 28, 1992	Quarter Ended March 31, 1991
Revenues (Note B)	$15,714,255	$ 1,195,328	$ 466,115
Costs and Expenses			
Operating	32,387,742	3,874,320	1,734,270
Selling, general and administrative	10,458,512	1,704,045	891,991
Related party	312,935	0	59,105
Total Costs and Expenses	43,159,189	5,578,365	2,685,366
Operating loss	(27,444,934)	(4,383,037)	(2,219,251)
Other Income (Expense)			
Interest income	1,124,900	215,213	100,422
Interest expense	(250,619)	(17,496)	(25,532)
Other income (expense)	(1,026,541)	(70,857)	(33,521)
Total Other Income (Expense)	(152,260)	126,858	41,369
Loss before income taxes	(27,597,194)	(4,256,179)	(2,177,882)
Income Tax (Benefit)	(948,485)	0	(89,319)
Net loss	$(26,648,709)	$(4,256,179)	$(2,088,563)
Net Loss per Share (Note C)	$(2.83)	$(0.39)	$(0.24)

See accompanying Notes to Condensed Financial Statements

VIDEOCART, INC.
(a development stage company)

CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Inception to March 28, 1992	Quarter Ended March 28, 1992	Quarter Ended March 31, 1991
Net Cash Provided by (Used in) Operating Activities	$ (8,070,814)	$ 3,712,048	$(1,163,969)
Cash Flows from Investing Activities:			
Purchase of property and equipment	(25,490,867)	(9,265,810)	(2,148,162)
Net cash (used in) investing activities	(25,490,867)	(9,265,810)	(2,148,162)
Cash Flows from Financing Activities:			
Capital contribution	20,070,376	0	0
Proceeds from stock offering	26,851,031	0	0
Proceeds from stock option exercises	203,190	81,995	0
Proceeds from issuance of notes payable	601,881	0	0
Proceeds from issuance of long term obligations	624,100	0	0
Repayment of notes payable	(494,789)	(121,993)	(77,533)
Capital lease obligations	429,904	16,903	(37,363)
Net cash provided by (used in) financing activities	48,285,693	(23,095)	(114,896)
Effect of Exchange Rates on Cash and Cash Equivalents	37,324	35,302	(1,345)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,761,336	(5,541,555)	(3,428,372)
Cash and Cash Equivalents at Beginning of Period	0	20,302,891	7,199,347
Cash and Cash Equivalents at End of Period	$ 14,761,336	$ 14,761,336	$ 3,770,975

See accompanying Notes to Condensed Financial Statements.

VIDEOCART, INC.
(a development stage company)

NOTES TO CONDENSED FINANCIAL STATEMENTS
March 28, 1992
(Unaudited)

NOTE A. CONDENSED FINANCIAL STATEMENTS

In Management's opinion, the unaudited financial statements of VideOcart, Inc. (the "Company") include all normal recurring adjustments necessary for fair presentation. When reviewing interim financial results, users of financial information are encouraged to refer to the footnotes contained in the Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 28, 1991.

NOTE B. REVENUE RECOGNITION

Domestic revenues for the quarter ended March 28, 1992 consisted of approximately $510,800 from advertising and media products and services.

NOTE C. NET LOSS PER SHARE

Presentation in the Company's financial statements reflects per share data calculated using the weighted average number of shares outstanding. Fully diluted loss per share is not presented, as the warrant to IBM for 175,000 shares and the 1,146,565 shares exercisable at March 28, 1992 under options have an antidilutive effect.

NOTE D. STOCK OPTIONS

The 1990 Nonqualified Stock Option Plan authorizes a maximum of 2,000,000 common shares. The plan provides that options be granted at exercise prices equal to market value on the grant dates. Options must be exercised within ten years. The following table sets forth the grant activity of the Nonqualified Stock Option Plan for the periods indicated:

	March 28, 1992		March 31, 1991	
	Number of Shares	Average Grant Price	Number of Shares	Average Grant Price
Issued	1,414,002	$4.664	869,964	$2.420
Terminated	127,692	$2.663	15,000	$2.190
Exercisable	246,565	$2.624	36,058	$2.190

John Malec had 900,000 shares of common stock exercisable at an option price of $2.19 at March 28, 1992.

NOTE E. SUBSEQUENT EVENTS

Two new retailers, Raley's and Super Valu, have become VideOcart participants. Raley's has committed to installations in all of the chain's 60+ stores by midsummer. Super Valu has committed to VideOcart installations in an initial 150 stores over the next 18 months.

John Malec, the Company's Chairman and Chief Executive Officer, has agreed to provide the Company with a $10 million leasing line of credit. This line of credit is available to purchase VideOcart store equipment, on a chain-by-chain basis, at an effective interest rate of 14.5%. This lease will be secured by the associated VideOcart store equipment and is subject to certain cash flow covenants.

VIDEOCART, INC.
(a development stage company))

NOTES TO CONDENSED FINANCIAL STATEMENTS
March 28, 1992
(Unaudited)

NOTE E. SUBSEQUENT EVENTS (continued)

The Board of Directors has elected two new members to the board, Gerald Eskin, Ph.D. and Beth Blumenthal, for a total of ten. Mr. Eskin will serve his initial term until the 1993 Annual Meeting of Shareholders, and Ms. Blumenthal will serve her initial term, and stand for re-election to a new three-year term, at the 1992 Annual Meeting of Shareholders.

The Board of Directors has adopted, subject to shareholder approval at the 1992 Annual Meeting, the 1992 Stock Option Plan (the "1992 Plan") and the 1992 Stock Option Plan for Non-Employee Directors (the "1992 Directors Plan"). Although the existing Nonqualified Stock Option Plan and Incentive Stock Option Plan do not expire by their terms until 2000, the Board of Directors has adopted the 1992 Plan to make technical changes and to conform to recent changes in Securities and Exchange Commission regulations. If the 1992 Plan and the 1992 Directors Plan are approved, the Company will not grant further options under the Nonqualified Stock Option Plan or the Incentive Stock Option Plan. In connection with their appointments, and subject to shareholder approval of the 1992 Directors Plan, Mr. Eskin and Ms. Blumenthal were automatically granted options to purchase 15,000 shares each at prices equal to the average closing sale price of the Company's Common Stock for the five days prior to the grant date.

Item 2. Management's discussion and analysis of financial condition and results of operations.

The following discussion and analysis should be read in conjunction with the financial statements.

Introduction

The Company conducts business in two distinct operating segments. The VideOcart business derives revenues from the sale of space on the Company's proprietary computerized video display mounted on store shopping carts. The display provides customer service, point-of-purchase advertising and sales promotion messages to shoppers. The Australian business derives revenues from the licensing of decision support and supermarket shelf space management software and the provision of related consulting and data services. The VideOcart business is in the development stage and the revenue and expenses to date are not representative of anticipated future business activity. Results for the quarter ended March 28, 1992 are not necessarily indicative of the results to be expected for the full fiscal year.

Summarized below is certain financial information relating to the results of the Company as segmented by the VideOcart and Australian operations for the periods indicated.

	Quarter Ended	
	March 28, 1992	March 31, 1991
Revenues:		
VideOcart	$ 510,807	$ 0
Australia	684,521	466,115
	1,195,328	466,115
Operating Expenses:		
VideOcart	$ 3,438,700	$ 1,153,209
Australia	435,620	581,061
	3,874,320	1,734,270
Selling, General and Administrative Expenses:		
VideOcart	$ 1,453,791	$ 768,970
Australia	250,254	123,021
	1,704,045	891,991
Other Income (Expense):		
VideOcart	$ 118,721	$ 43,543
Australia	8,137	(2,174)
	126,858	41,369

VideOcart Operations

VideOcart Operations for the Quarter Ended March 28, 1992

Revenue. The Company had VideOcart-related revenue of approximately $510,807 for the quarter ended March 28, 1992. The Company did not charge clients for advertising during the period between the end of the initial three-store test in July of 1990 and the end of the first quarter in 1991. The revenues for the quarter ended March 28, 1992 are due to the provision of services under the national expansion begun in December, 1991, and represents approximately $510,800 from advertising and media products and services.

Operating Expenses. Operating expenses for the quarter ended March 28, 1992 were approximately three times greater than the quarter ended March 31, 1991, primarily due to the operating expenses and depreciation related to a greater number of installed stores. There were 66 stores installed at March 28, 1992, compared to 11 stores installed at March 31, 1991.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were approximately 1.9 times greater during the quarter ended March 28, 1992 than during the quarter ended March 31, 1991. The increase generally reflects the overall growth of the Company, and is primarily attributable to compensation for staffing of support areas.

Other Income and Expense. Other income and expense includes interest expense on notes financing store installations, interest earned on cash balances, and equipment and installation cost writeoffs associated with damaged equipment and removal of store equipment for relocation.

Australian Operations

The business and assets of the Australian Business were acquired by the Company immediately prior to the spinoff from IRI. The Company intends to continue operating the Australian Business through existing staff and outlets. However, the Australian Business is not strategically important to the Company, and is not expected to be material to the Company's future business.

Australian Operations for the Quarter Ended March 28, 1992. Australian revenue increased approximately 47% during the quarter ended March 28, 1992 compared to the prior year period, due primarily to increased sales of EXPRESS® software. Australian operating expenses during the quarter ended March 28, 1992 decreased approximately 25% when compared to the prior year period, primarily reflecting reduced compensation expenses. Australian selling, general and administrative expenses for the quarter ended March 28, 1992 increased approximately 103% when compared to the prior year period, primarily reflecting increased consulting costs and sales commissions.

Liquidity and Capital Resources

Cash flows. Operating activities have provided cash of $3.7 million and used cash of $1.2 million for the quarters ended March 28, 1992 and March 31, 1991, respectively. The decreased use of cash is attributable to favorable vendor terms associated with the purchase of equipment for the national rollout. Investing activities used cash of $9.3 million and $2.1 million for the quarters ended March 28, 1992 and March 31, 1991, respectively. Investing activities increased due to the national expansion of the VideOcart network which began in December, 1991. Financing activities used cash of approximately $23,100 and $114,900 for the quarters ended March 28, 1992 and March 31, 1991, respectively, and primarily reflects repayments of notes payable.

Liquidity. As of March 28, 1992, the Company's cash position decreased to approximately $14.8 million, due primarily to the purchase of equipment for the national rollout and operational expenditures for an expanding base of stores. The Company has expanded from 35 stores at December 28, 1991 to 66 stores at March 28, 1992. While remaining cash balances are expected to satisfy the Company's near-term expenditure requirements, the continuing national expansion will require substantial additional cash as described in "Capital Expenditures" below.

Capital Expenditures. The Company's capital expenditures over the past three years have consisted primarily of VideOcart network components. The Company expects total expenditures to increase sharply during full scale production associated with a continuing national expansion. Most of the Company's future capital expenditures will represent the cost of equipment and installation of the VideOcart network in individual stores. The majority of the equipment cost is represented by the cost of VideOcart display units, batteries and triggering devices. During 1991, the Company committed to purchase 120,000 VideOcart units, together with batteries and triggering devices, in an amount which will represent a total expenditure of approximately $76 million. The Company expects to fund the cost of such equipment with remaining cash balances, internally generated funds, lease financing and future offerings of equity and/or debt securities.

PART II OTHER INFORMATION

Item 1. Legal Proceedings. None.

Item 2. Changes in Securities. None.

Item 3. Defaults Upon Senior Securities. None.

Item 4. Submission of Matters to a Vote of Security Holders. None.

Item 5. Other Information. None.

Item 6. Exhibits and Reports on Form 8-K. None.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date:	May 11, 1992
Registrant	VideOcart, Inc.
By Name and Title	John Malec, Chairman of the Board, Director and Chief Executive Officer
By Name and Title	James E Hurley James E. Hurley, Chief Financial Officer, Treasurer, and Secretary

0:10921

Q 35226

17

92 14 6665

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

592.2230

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the Quarterly Period Ended March 31, 1992
Commission file number 1-9077

BEST COPY AVAILABLE

ZENITH LABORATORIES, INC.
(Exact name of registrant as specified in its charter)

New Jersey
(State or other jurisdiction of incorporation organization)

22-1585559
(I.R.S. employer identification number)

140 Legrand Avenue, Northvale, New Jersey 07647
(Address of principal executive offices) (Zip Code)

139

PROCESSED BY

MAY 18 1992

201-767-1700
(Registrant's telephone number, including area code)

Microfilmed by
Q Data Corp. - St. Petersburg, FL

17:H.B

N.A.
(Former name, former address, former fiscal year if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X   No ____

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes X   No ____

As of April 30, 1992 the Registrant had 4,543,986 shares of Common Stock, no par value, outstanding.

PART I. Financial Information
ITEM I. Financial Statements

ZENITH LABORATORIES, INC. AND SUBSIDIARIES
Consolidated Balance Sheets as at
March 31, 1992 and December 31, 1991
($000 Except Share Data)

	3/31/92 (Unaudited)	12/31/91
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,808	$ 8,057
Accounts receivable, trade, less allowances for doubtful receivables, and sales returns and allowances of $2,038,000 for 1992 and $2,829,000 for 1991.	6,966	9,074
Inventories	12,425	10,933
Other current assets	346	313
Total current assets	26,545	28,377
Property, plant and equipment, net	17,416	15,700
Other assets	276	299
Total assets	$44,237	$44,376
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 2,624	$ 2,318
Accounts payable, trade	3,416	2,431
Accrued expenses	2,072	2,422
Total current liabilities	8,112	7,171
Capitalized lease obligation	1,832	112
Long-term debt	3,146	3,476
	4,978	3,588
Total liabilities	13,090	10,759
Stockholders' equity		
Preferred stock, par value $133.33 a share; authorized 45,000 shares, issued and outstanding 44,625.24 shares in 1992 and 1991.	5,950	5,950
Common stock, no par value; authorized 19,955,000 shares; issued and outstanding 4,554,192 and 4,479,192 in 1992 and 1991.		
Additional paid-in capital	33,315	33,074
Retained deficit	(8,118)	(5,407)
Total stockholders' equity	31,147	33,617
Total liabilities and stockholders' equity	$44,237	$44,376

See Notes to Consolidated Financial Statements

ZENITH LABORATORIES, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
For the Three Months Ended March 31, 1992 and 1991
(Unaudited)
($000 Except Per Share Data)

	1992	1991
Net Sales	$11,517	$15,167
Costs of sales	9,781	10,057
Gross profit	1,736	5,110
Selling, shipping and administrative expenses	2,722	2,623
Research & Development costs	1,652	1,408
Income (Loss) from operations	(2,638)	1,079
Interest income	68	1
Interest expense	(149)	(363)
Other income (expense), net	23	(81)
Income (Loss) before provision for income taxes and extraordinary item	(2,696)	636
Provision for income taxes before extraordinary item	(15)	(26)
Income (Loss) before extraordinary item	(2,711)	610
Extraordinary item:		
Reduction of income taxes arising from carryforward of prior years operating losses		23
Net income (loss)	($2,711)	$ 633
Primary and fully dilutive earnings per common share:		
Income (Loss) before extraordinary item per share	($ .63)	$ .11
Net income (loss)	($ .63)	$ .11
Weighted average number of shares outstanding	4,564,444	5,487,975

See Notes to Consolidated Financial Statements

ZENITH LABORATORIES, INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders' Equity
For the Three Months Ended March 31, 1992
(Unaudited)
($000)

	Common Stock Shares	Preferred Stock	Additional Paid-In Capital	Retained Deficit	Total Stockholders' Equity
Balance January 1, 1992	4,479	$5,950	$33,074	($5,407)	$33,617
Exercise of Options	75		218		218
Common Share Grants			23		23
Net loss for the three months ended March 31, 1992				(2,711)	(2,711)
Balance, March 31, 1992	4,554	$5,950	$33,315	($8,118)	$31,147

See Notes to Consolidated Financial Statements

ZENITH LABORATORIES, INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows
For the Three Months Ended March 31, 1992 and 1991
(Unaudited)
($000)

	1992	1991
Cash flows from operating activities:		
Net income (loss)	($2,711)	$ 633
Adjustments to reconcile net income (loss) to net cash used for operating activities:		
Depreciation and amortization	602	476
Provision for inventory write-offs	816	496
Provision for stock grants	23	23
(Decrease) Increase in accrued expenses	(350)	315
Increase (Decrease) in accounts payable	985	(732)
(Increase) Decrease in other current assets	(33)	182
Decrease in other assets	23	22
(Increase) Decrease in inventory	(2,308)	35
Decrease in accounts receivable	2,108	3,007
Net cash (used for) provided by operating activities	(845)	4,457
Cash flows from investing activities:		
Capital expenditures	(539)	(970)
Dispositions of property, plant & equipment	123	181
Net cash used for investing activities	(416)	(789)
Cash flows from financing activities:		
Proceeds from the issuance of debt		9,565
Payments of debt	(206)	(12,599)
Exercise of options	218	
Net cash provided by (used for) financing activities	12	(3,034)
Net (decrease) increase in cash and cash equivalents	(1,249)	634
Cash and cash equivalents at beginning of period	8,057	417
Cash and cash equivalents at March 31	$6,808	$1,051
Supplemental cash flow information		
Cash paid during the year for:		
Interest	$ 112	$ 384

See Notes to Consolidated Financial Statements

ZENITH LABORATORIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) The accompanying consolidated financial statements, in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) which are necessary to present fairly the results of operations for the interim periods after elimination of all intercompany items and transactions.

(b) Inventories are stated at the lower of cost (on a first-in, first-out basis) or market. Market is based on replacement cost for raw materials and estimated net realizable amounts for finished goods.

(c) Primary earnings per common share are computed by dividing net income (loss) by the weighted average number of shares and share equivalents outstanding during the year. Convertible preferred stock, stock options and warrants are considered common stock equivalents to the extent conversion would not be anti-dilutive.

(d) For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents. Cash equivalents are stated at cost which approximate market.

2. INVENTORIES:

Inventories consist of:

(Thousands of Dollars)	3/31/92	12/31/91
Raw materials	$5,194	$ 5,144
Work in process	1,936	869
Finished goods (packaged and bulk)	5,295	4,920
	$12,425	$10,933

At March 31, 1992 and December 31, 1991, the allowance for write-down to net realizable value was $1,400,000 and $900,000, respectively.

3. LEASE:

On February 14, 1992 the Company amended the lease on its facility in Northvale, New Jersey. Among other things, the amendment extends the lease term on the facility from December 31, 1994 to January 31, 1999. Annual rentals have been increased from $98,000 to $243,000 effective January 1, 1992 and to $454,000 effective February 1, 1994. These increases include the cost of capital improvements being provided by the lessor.

Both the original and amended leases are recorded as capital leases. As a result, property, plant and equipment and long-term debt (including current portion) have been adjusted to reflect the difference between the present value of the future minimum lease payments under the original and amended lease agreements. This represented a non-cash investing and financing transaction which amounted to approximately $1,799,000 and $1,902,000, respectively.

4. SHORT-TERM DEBT:

Revolving Credit:

The Company entered into a $10,000,000 revolving credit agreement in December 1990 which expires in June 1994. At March 31, 1992, the revolving credit line had no outstanding balance. Outstanding balances under this agreement bear interest at a rate equal to one and three-quarters (1 3/4%) in excess of the lender's prime rate (6.5% at March 31, 1992). Borrowings under the revolving credit agreement are collateralized by the lender's first lien on accounts receivable and inventory and second liens on equipment and other fixed assets and real property owned by the Company.

The Company did not meet its tangible net worth covenant for the periods ending February 29 and March 31, 1992 and has received a waiver from the lender for these periods. The Company anticipates it will need the revolving credit line to finance operations and required debt repayments of $2,318,000 during the second half of 1992. The Company does not anticipate that it will be able to comply with the tangible net worth and certain other financial ratio debt covenants during various periods of 1992 without a further modification or waiver of such covenants. The Company is currently in discussions with the lender concerning a modification of such covenants. The revolving credit lender, at its discretion, has provided funds when needed. There can be no assurance that the lender will continue to provide funding or waive these covenants.

5. ACCRUED EXPENSES:

Accrued expenses consist of:

(Thousands of Dollars)	3/31/92	12/31/91
Interest	$ 10	$ 15
Salaries and wages	882	625
Professional fees	140	235
Contract accrual		260
Other	1,040	1,287
	$ 2,072	$ 2,422

6. EARNINGS PER SHARE:

Primary earnings per share are determined by dividing net income (loss) by the weighted average of common shares and common share equivalents outstanding. Fully diluted earnings per common share is not shown for the periods ended March 31, 1992 and 1991 because the calculation resulted in a dilution of less than 3%. The following table presents the information needed to compute primary earnings per share.

(In thousands, except share data)

Primary earnings per share:	1992	1991
Period ended March 31		
Income (Loss) before extraordinary item	($2,711)	$610
Extraordinary item		23
Preferred Dividends	(149)	(a)
Net income (loss) available to common shares	($2,860)	$ 633
Weighted average shares of common stock outstanding, warrants exercisable at no cost and stock grants	4,564,444	2,938,194
Convertible preferred stock	(b)	2,052,983
Options and other warrants	(b)	496,798
Adjusted weighted average shares	4,564,444	5,487,975
Primary earnings per share	($.63)	$.11

(a) Preferred dividends were not deducted from income because the preferred stock is considered a common share equivalent for which conversion would be dilutive.

(b) Preferred stock and options are not considered common stock equivalents since they would be anti-dilutive.

7. COMMITMENTS AND CONTINGENCIES:

Bristol Litigation:

On July 10, 1989, Bristol-Myers Co. filed a complaint against the Company and others in the United States District Court for the District of New Jersey. Bristol-Myers Co. vs Zenith Laboratories, Inc., Interchem Corporation, and Dobofar Industria Chimica Farmaceutica, S.p.A., Civ. No. 89-2880 (DRB) (D.N.J.). Bristol-Myers alleged that sales of a cefadroxil product, which the Company commenced selling in July of 1989, infringed U.S. Patent No. 4,504,657, which Bristol-Myers owns.

On March 27, 1990, Bristol-Myers-Squibb and the Company entered into a stipulation and agreement of settlement and compromise that resolved Civil Action No. 89-2280. The agreement provides, among other things that the Company cease all manufacture and sale of the cefadroxil product covered under the agreement and pay Bristol-Myers $1,200,000 over a three-year period, which amount is to be offset with credits for inventory and returned product. To date, the Company has satisfied $700,000 of its obligation to Bristol-Myers.

In June 1991, Bristol-Myers commenced an action against the raw materials supplier of a comparable new cefadroxil product, alleging that the new product also infringes the patent. On August 6, 1991, the Company filed a complaint against Bristol-Myers seeking, among other things, a declaration that the new product does not infringe the patent, an order enjoining Bristol-Myers from asserting claims of infringement against the Company, its customers or suppliers based on the new product, and damages. On February 21, 1992 , the court entered a summary judgement declaring that the new product does not infringe the patent.

On April 13, 1992, the court granted Bristol-Myers' motion for reconsideration, vacated the summary judgement, and scheduled a trial on the issue of infringement for May 26, 1992.

On April 21, 1992, the Company received FDA approval for the comparable new cefadroxil product. The approval clears the way for the Company to market the product, subject to the Company's finalizing a supply agreement with its raw materials supplier and the resolution of the patent litigation with Bristol-Myers in a manner favorable to the Company.

FDA Inspection:

On November 8, 1991, the Justice Department filed with the United States District Court for the District of New Jersey a complaint seeking to enjoin the Company's operations at its Northvale facility. The complaint alleged that the drug products manufactured at the facility are not produced in conformity with the FDA's regulations defining Current Good Manufacturing Practices. On April 16, 1992, the Company entered into a consent decree resolving the complaint. The consent decree permits Zenith to continue its operations at Northvale. It provides that, within 14 working days after entry of the decree by the District Court, the FDA will conduct an inspection of the Company's operations at the Northvale facility lasting no more than 30 working days. Such inspection by the FDA commenced on April 30, 1992. At the conclusion of the inspection, the FDA will notify Zenith formally that it is in substantial compliance with FDA Regulations if no deficiencies are identified. If a deficiency is identified, the FDA may notify Zenith that the product or products in question should not be manufactured until a correction is completed to the FDA's satisfaction.

Following an FDA inspection at its facility in the U.S. Virgin Islands, the Company's subsidiary, Pralex Corporation, received a Form FDA 483 Notice of Inspectional Observations, and an FDA warning letter concerning cephradine. The Company ceased manufacture of cephradine and recalled the product. The Company submitted to the FDA responses to the Form FDA 483 and warning letter, and the FDA subsequently accepted the responses, noting that the effectiveness and implementation of the corrective actions would have to be evaluated in future inspections. The FDA completed another inspection of the facility on February 28, 1992. The Company believes it has brought the facility into compliance with CGMP requirements.

Pending ANDAs with the FDA specify the Company's facilities located in Puerto Rico or St. Croix, Virgin Islands as the locations where the relevant drugs will be manufactured and the Company has decided to manufacture these new products exclusively at its Puerto Rico and St. Croix facilities.

Conjugated Estrogens:

On February 13, 1990, the Food and Drug Administration announced that it was proposing to withdraw the approval of abbreviated new drug applications ("ANDAs") for certain oral drug products that contain conjugated estrogens. The FDA's decision was assertedly based on new information and tests by new methods that are said to show demonstrated and potential differences in the rate or extent of absorption between the patented drug and generic versions approved under the ANDAs.

On March 25, 1991 the Company ceased manufacture and distribution of conjugated estrogens and has recalled all such product. In the first quarter of 1991 the Company sold $3,400,000 of conjugated estrogens at a gross margin of 65%. The Company intends to develop and apply for FDA approval of a new formulation of conjugated estrogens.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

Liquidity

The Company had cash of $6,808,000 at March 31, 1992 as compared to $8,057,000 at December 31, 1991. Cash flow used for operations for the three months ended March 31, 1992 was ($845,000) which was primarily the result of a net loss of ($2,711,000), non-cash charges of $1,441,000, and an increase in liabilities of $635,000, offset by an increase in assets (primarily representing an increase in inventory of $2,308,000 offset by a decline in accounts receivable of $2,108,000) of $210,000.

On September 4, 1991, the Company completed a public offering of 1.5 million newly issued shares of common stock at a price of $11.25 per share. Net proceeds to the Company were $15,391,000. Of this amount $5,000,000 was used to repay long-term debt and $911,000 was used to pay preferred dividends. The Company intends to apply the remaining proceeds to fund research and development expenditures and other general corporate purposes.

In December 1990, the Company entered into a $10,000,000 revolving credit facility and the lender has a first lien on the Company's accounts receivable and inventory and a second lien on the remainder of the Company's property. The loan balance fluctuates based on the cash requirements of the Company. As of March 31, 1992 the revolving credit line had no outstanding balance. However, the Company did not meet their tangible net worth covenant for the periods ending February 29 and March 31, 1992 and has received a waiver from the lender for these periods. The Company anticipates it will need the revolving credit line to finance operations and required debt repayments of $2,318,000 during the second half of 1992. The Company does not anticipate that it will be able to comply with the tangible net worth and certain other financial ratio debt covenants during various periods of 1992 without a further modification or waiver of such covenants. The Company is currently in discussions with the lender concerning a modification of such covenants. The revolving credit lender, at its discretion, has provided funds when needed. There can be no assurance that the lender will continue to provide funding or waive these covenants.

Capital Resources

Sales during the first three months of 1992 were negatively impacted by the Company's certification and validation activities at its Northvale facility. During the same period, the Company's backorders at the Northvale facility increased $1,500,000. As a percentage of sales, the Company's capacity utilization at its Northvale facility was approximately 21%. Had the Company been able to ship to customer order demand levels, the utilization would have been significantly higher. The Company's capacity utilization of its Puerto Rico facility was 65%. On a combined basis, the Company's capacity utilization was approximately 34% for the period ending March 31, 1992.

The Company increased its capital assets by approximately $2,441,000 during the first three months of 1992, which includes approximately $1,799,000 for a capital lease extension at its Northvale facility as discussed in Footnote 3. The balance of the expenditures were primarily for the manufacturing facilities. The revolving line of credit restricts the Company through loan covenants from purchasing capital assets in excess of $5,000,000 for 1992.

Results of Operations - First Quarter 1992 vs First Quarter 1991

Net sales and gross profit for the three months ended March 31, 1992 were $11,517,000 and $1,736,000 as compared to $15,167,000 and $5,110,000 for the same period in 1991. The decrease in net sales is attributable to the Company's certification and validation activities at its Northvale facility and to the loss of conjugated estrogens as of March 25, 1991. The decline was partially offset by the sales of triamterene launched in September 1991. The Company anticipates it will be able to reduce substantially its backlog, which has increased by approximately $1,500,000 during the first quarter, upon completion of the certification and validation process, which is scheduled for the second quarter.

The Company recorded net sales listed by therapeutic categories, expressed as a percent of total sales, for the three months ended March 31, 1992 and 1991, respectively, as follows:

Drugs for the Treatment of Endocrine Disorders; 2% and 24%
Cardiovascular Drugs; 22% and 8%
Central Nervous System (CNS) Drugs; 48% and 36%
Analgesic/Anti-Inflamatory Drugs; 5% and 4%
Anti-Infective Drugs; 21% and 26%
All Others; 2% and 2%

On March 25, 1991 the Company ceased manufacture and distribution of conjugated estrogens and has recalled all such product. In the first quarter of 1991 the Company sold $3,400,000 of conjugated estrogens at a gross margin of 65%. The Company is pursuing the development and application for FDA approval of a new formulation of conjugated estrogens.

On April 21, 1992, the Company received FDA approval for the product cefadroxil. The approval clears the way for the Company to market the product, subject to the Company's finalizing a supply agreement with its raw material source and to the resolution of the patent litigation with Bristol-Myers in a manner favorable to the Company.

Due to the certification and validation process, the Company incurred additional overhead expenses and produced less product than orders received. As a result, certain fixed overhead expenses were not absorbed. Therefore, gross profit as a percent of sales was 15% in 1992 as compared to 34% in 1991. The reduction of gross profit was also attributable to the loss of conjugated estrogens as of March 25, 1991 partially offset by the sales of triamterene which was launched in September 1991.

Selling, shipping and administrative expenses for the three months ended March 31, 1992 and 1991 are $2,722,000 (24% of net sales) and $2,623,000 (17% of net sales), respectively. The increase in expenses is attributable to increased personnel costs, legal and freight expenses, offset by decreased consulting fees and expenses.

The increase in research and development expenses of $244,000 to $1,652,000 for the three months ended March 31, 1992 as compared to $1,408,000 for the same period in the prior year is attributable to increased manpower levels, offset by a decrease in consulting fees for the comparable period. The Company plans to continue the current level of research and development expenditures for the remainder of the year.

Interest expense decreased from $363,000 to $149,000 due to decreased levels of borrowing and lower rates in the three months ending March 31, 1992 compared to the same period in the prior year.

PART II. Other Information

ITEM 1. LEGAL PROCEEDINGS

Shareholder Litigation

Between August 15 and October 23, 1986, the Company received eight summonses and complaints in actions filed in the U.S. District Court for the District of New Jersey. These actions were filed as class actions against the Company and various officers and directors by purchasers of Company common stock during various overlapping periods of time between October 22, 1985 and September 5, 1986. One case was purportedly filed as a class action on behalf of persons who purchased or sold options in Zenith common stock between March 14, 1986 and July 14, 1986.

The eight separate actions were consolidated for pretrial proceedings, and, pursuant to court order, plaintiffs served a consolidated amended complaint on January 6, 1987 covering seven of the actions. A ninth action was filed on December 23, 1986. The complaints identify as defendants the Company, certain former officers and directors, and one director who has continued in office.

Pursuant to the Plan of Reorganization, the Company paid $50,000 on the Consummation Date to settle the claims of the plaintiffs in the shareholder actions. On July 19, 1990, the District Court entered an agreed order dismissing the shareholder actions against the Company.

In addition to the $50,000 payment, pursuant to the Plan of Reorganization, a stay of proceedings against the co-defendants in the shareholder actions issued by the Bankruptcy Court on January 23, 1989 was terminated automatically on October 3, 1989, the date of confirmation of the Plan of Reorganization. The Company will no longer be a party to the shareholder actions, but will provide witnesses for deposition without subpoena and will respond to request for production of documents without subpoena, subject to all such objections, rights, and privileges, as the Company may otherwise have.

Although the Plan of Reorganization discharges all claims asserted in the actions as to the Company, most of the former officers and directors named as individual defendants have filed contingent and unliquidated claims for indemnification related to the securities litigation actions. The Company has objected to each such claim.

Commercial Litigation

Bristol-Myers Action. On July 10, 1989, Bristol-Myers Co. filed a complaint against the Company and others in the United States District Court for the District of New Jersey. Bristol-Myers Co. vs Zenith Laboratories, Inc., Interchem Corporation, and Dobofar Industria Chimica Farmaceutica, S.p.A., Civ. No. 89-2880 (DRB) (D.N.J.). Bristol-Myers alleged that sales of a cefadroxil product, which the Company commenced selling in July of 1989, infringed U.S. Patent No. 4,504,657, which Bristol-Myers owns.

On March 27, 1990, Bristol-Myers-Squibb and the Company entered into a stipulation and agreement of settlement and compromise that resolved Civil Action No. 89-2280. The agreement provides, among other things, that the

Company cease all manufacture and sale of the cefadroxil product covered under the agreement and pay Bristol-Myers $1,200,000 over a three-year period, which amount is to be offset with credits for inventory and returned product. The cefadroxil product covered by the agreement accounted for approximately 8% of the Company's gross revenues in 1990 and 13% in 1989. To date, the Company has satisfied $700,000 of its obligation to Bristol-Myers.

In June 1991, Bristol-Myers commenced an action against the raw materials supplier of a comparable new cefadroxil product, alleging that the new product also infringes the patent. On August 6, 1991, the Company filed a complaint against Bristol-Myers seeking, among other things, a declaration that the new product does not infringe the patent, an order enjoining Bristol-Myers from asserting claims of infringement against the Company, its customers or suppliers based on the new product, and damages. On February 21, 1992, the court entered a summary judgement declaring that the new product does not infringe the patent.

On April 13, 1992, the court granted Bristol-Myers' motion for reconsideration, vacated the summary judgement, and scheduled a trial on the issue of infringement for May 26, 1992.

Farber Action. On January 31, 1991, Dr. John J. Farber, a former officer and director of the Company, commenced an action against the Company in the United States District Court for the Southern District of New York seeking indemnification under the Company's By-Laws and the New Jersey Business Corporation Act for $84,075.09 in expenses allegedly incurred in connection with an SEC investigation of trading in Zenith securities. On February 25, 1991, the Company filed a motion to dismiss the complaint for lack of personal jurisdiction. The motion was denied by order dated October 16, 1991. The Company answered the complaint on October 28, 1991. Dr. Farber has agreed orally to settle his claim for $20,000. Settlement papers are being prepared.

FDA Injunctive Proceeding. On November 8, 1991, the Justice Department filed with the United States District Court, for the District of New Jersey a complaint seeking to enjoin the Company's operations at its Northvale facility. The complaint alleged that the drug products manufactured at the facility are not produced in conformity with the FDA's regulations defining Current Good Manufacturing Practices. On April 16, 1992, the Company entered into a consent decree resolving the complaint. The consent decree permits Zenith to continue its operations at Northvale. It provides that, within 14 working days after entry of the decree by the District Court, the FDA will conduct an inspection of the Company's operations at Northvale lasting no more than 30 working days. Such inspection by the FDA commenced on April 30, 1992. At the conclusion of the inspection, the FDA will notify Zenith formally that it is in substantial compliance with FDA Regulations if no deficiencies are identified. If a deficiency is identified, the FDA may notify Zenith that the product or products in question should not be manufactured until a correction is completed to FDA's satisfaction.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

None

(b) Reports on Form 8-K:

None

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has fully caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ZENITH LABORATORIES, INC.

Date: May 14, 1992

John H Klein

JOHN H. KLEIN
President and
Chief Executive Officer

Date: May 14, 1992

RICHARD H. FRIEDMAN
Vice President-Finance and
Chief Financial Officer